

Economic, Political and Bargaining Environment

STRONGER **TOGETHER**
OPS **2014**
Bargaining

April 2014



Introduction

Joining the civil service was once a respected and sought-after career for decades in Ontario. Not anymore.

OPSEU members in the Ontario Public Service (OPS) have borne the brunt of more than 20 years of cost-cutting by successive governments. We have witnessed the closure of facilities, the privatization of key services and the lay off of thousands of our colleagues.

We have witnessed the human costs of cuts and privatization when the pressures to reduce costs and regulatory approvals

led to the Walkerton water tragedy in 2000 and the Aylmer meat scandal in 2003.

Prior to the first OPS strike in 1996, we had 67,000 members in the OPS. Today, we have 34,500. Over that period, our real wages fell, recovered ground, and fell again. (Real wage refers to your hourly wage minus inflation, or the increase in the price of goods and services over time.)

To many of our long-serving and experienced members, we in the OPS are at a crossroads once more.



Our ministries are run by deputy ministers and other senior managers who weren't around in the 1990s when the cuts that contributed to Walkerton and Aylmer happened.

We have not forgotten. We contributed our expertise to commissions of inquiry that were struck to find out what went wrong and to make recommendations so these tragedies would never happen again.

We represent members at 17 ministries that inspect, investigate and enforce the majority of Ontario's laws and regulations. Our inspector members report stakeholders having too much sway over public policy. They believe we are returning to a time when cost concerns and appeasing private sector proponents override public health and safety.

For many other OPSEU members, privatization is the biggest threat facing public services. When it comes to value

for money, no government policy of the last 20 years has a worse track record.

There are numerous examples of how privatization has not improved service delivery or provided better value for money: highway maintenance, meat inspection, the Walkerton water tragedy, the Andersen Consulting scandal, jail privatization, Highway 407, ORNGE and many others. And yet privatization continues to be aggressively promoted both inside and outside the Ontario government.

As we prepare for this coming round of OPS bargaining, we need to reflect on where we've been and where we hope to go.

It is possible that in this round of bargaining we will be called upon to stand up for quality public services and decent, meaningful employment **not only for ourselves but for all who follow.**

Economic Outlook

2014 will be a pivotal year for Ontario's economy and world-wide economic recovery. Decisions made at home and abroad will affect growth, inflation, interest rates, the Canadian dollar and public sector bargaining.

Growth

The government's budget projected 2013 growth of 1.5% in Ontario. It will be around 1.3%. The budget projected growth to be 2.3% in 2014 and 2.4% in 2015. While many private sector analysts still see growth at these or marginally higher levels, the government did decrease projected 2014 growth to 2.1% and increase projected 2015 growth to 2.5% in its Fall Economic Statement. Regardless, 2014 and 2015 are still expected to have more growth than did 2013.

Inflation

The government projected 1.5% inflation in 2013. It was 1%. For this year and subsequent years they projected 2% a year ago. Most forecasts now project inflation at around 1.5% for 2014.

Canadian Dollar

The decline in the Canadian dollar relative to the U.S. dollar over the last year has been dramatic. There is widespread hope that this, together with increased moderate U.S. growth, will help Ontario's manufacturing and export sectors in 2014.

Deficit

The government is about one year ahead of its plan to balance the budget by 2017-18.

However, as economist Hugh Mackenzie of the Canadian Centre for Policy Alternatives writes:

There is no structural deficit in Ontario. There is a lingering, but manageable, cyclical deficit – trumped up by a deficit crisis narrative the government itself helped fuel two years ago.¹

The deficit has declined to the point where it will dwindle away as the economy gradually resumes its long-term economic growth trend line.²

In September 2013, the province sold its interest in 10 million shares of General Motors that it had received as a result of \$4.8 billion in provincial aid to GM and Chrysler in 2009. The \$249 million from this sale will be recognized as revenue in this year's budget. However, the province still retains shares worth in excess of \$1 billion that they will be putting into the "Trillium Trust" for infrastructure spending when they sell them. This is another clear sign that deficit reduction is not as high a priority as it once was.

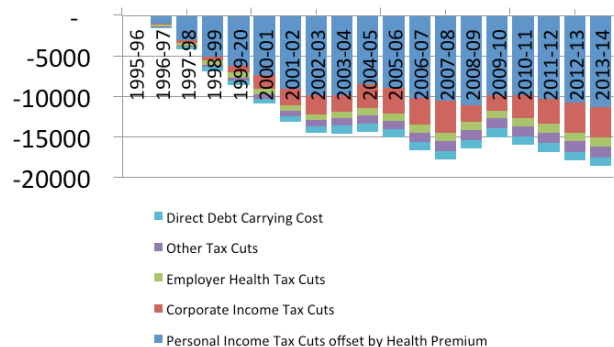
Political Outlook

How Did We Get Here: A Little History

Bob Rae, then a New Democrat, was Premier of Ontario from 1990 to 1995. His NDP government took over as just as Ontario entered the recession of the early 1990s. Initially, Rae borrowed money to keep public services and the economy afloat, but under intense pressure from business interests he embarked on a campaign of cost-cutting halfway through his mandate. The Social Contract Act re-opened collective agreements and lowered wages for public employees in the provincial and municipal sectors.

Conservative Mike Harris became Premier in 1995. He vowed to cut taxes, and to do so he slashed public services and social assistance rates, reduced labour rights, deregulated post-secondary tuition fees, cut spending on infrastructure to historic lows, and increased

Ontario government net revenues lost as a result of tax cuts, 1995-96 to 2013-14 (\$millions)



Ontario's long-term debt. The biggest legacy of the Harris era is what he did to taxation – and hence to public services – in this province.

¹ "The Staying Power of Ontario's Deficit Games", Canadian Centre for Policy Alternatives, Jan. 29, 2014

² "Tackling Ontario's Public Services Deficit", Canadian Centre for Policy Alternatives, Feb. 3, 2014

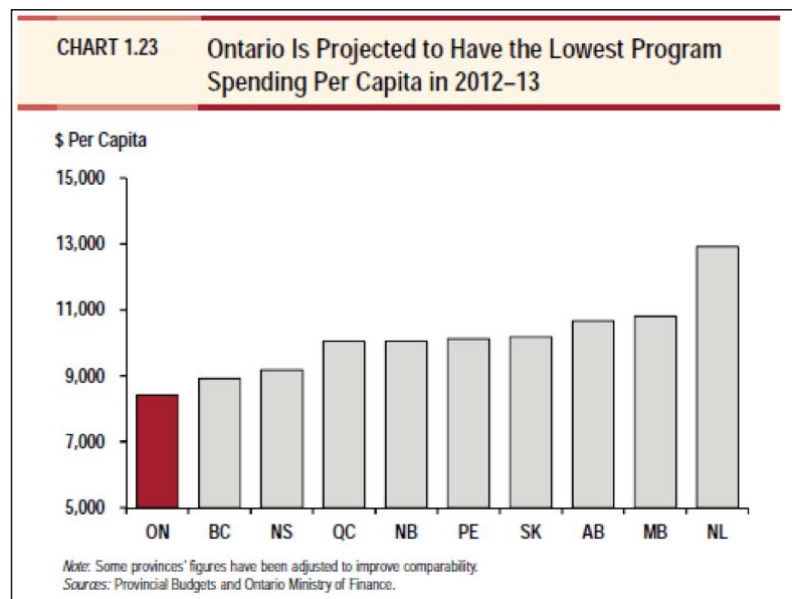
Ontario is missing more than \$18 billion a year in revenues to this day because of the Harris tax cuts. This is an amount greater than the current Ontario deficit, most recently pegged at \$11.7 billion. In other words, without these tax cuts, Ontario would either have better-funded public services today, or no deficit.

The tax cuts and public service cuts that fuelled the Common Sense Revolution were directly linked to numerous failures, not least of which was the death of seven people in the Walkerton water tragedy of 2000. 2,300 people got sick.

By 2002, the problem with the Harris government was obvious: it had done severe damage to Ontario's public services, and those services were in serious need of repair. The message of the 2002 strike by OPSEU members in the OPS became the theme of the 2003 provincial election, during which both opposition parties (the Liberals and the NDP) ran on a platform promising to rebuild public services.

Dalton McGuinty, a Liberal, became Premier in 2003. Kathleen Wynne was elected Liberal leader and took over as Premier in February 2013. Beginning in 2003, the McGuinty government began putting money into public services, which helped public sector wages recover to 1992 levels by 2008.

But despite the McGuinty government's reinvestment in the public sector, **Ontario today still has the lowest program spending per capita of any province in Canada.** Ontario public spending – and tax levels – remain low compared to other provinces, and it all dates back to the Common Sense Revolution of 1995. But it also has a lot to do with how the McGuinty government responded to the recession of 2008-09 and the AUSTERITY program that followed it.



The McGuinty government responded to the 2008-09 recession with a sharp turn to the right. **McGuinty brought in a total of \$7.8 billion in tax reductions**, which meant lower taxes for business and lower wages for public employees, including a two-year wage freeze for OPSEU members in the OPS.

The current government's plan, based on the 2012 Budget, is **to cut program spending by an average of 2.3 per cent a year (after inflation) for six years.**

REAL change in spending per capita per year (after inflation, for six years)	
Total Government	-2.3%
Health	-1.2%
Education (Schools)	-1.6%
Education (Post-Secondary)	-1.4%
Social Services	-0.6%
Justice	-2.9%
Social Services	-2.8%
All Other Programs	-7.6%

With compounding, that will mean an overall cut in spending on public services of roughly 15 per cent per person.

That means every Ontario will lose more than \$1,000 worth of public services per year – probably more like \$1,500.

And it means OPSEU members will continue to lose jobs.

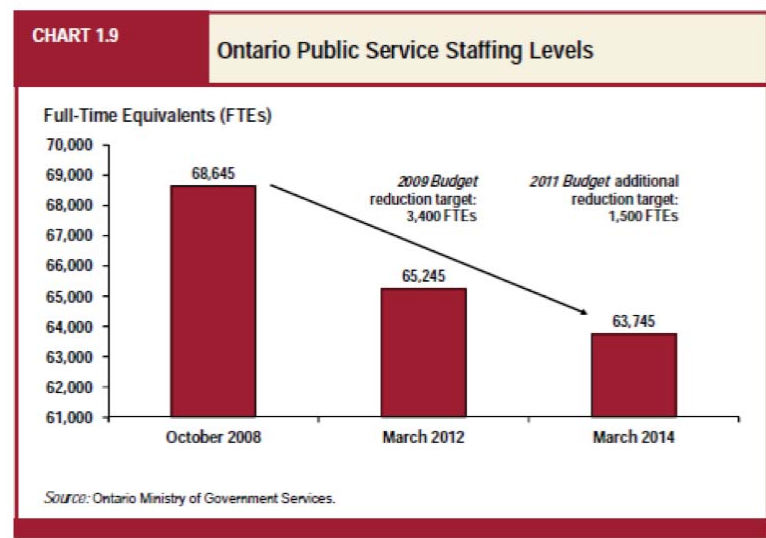
The Liberals have been steadily cutting the number of employees in the Ontario Public Service. The OPSEU bargaining unit has been reduced by 5,200 members since Dec. 31, 2008.

In fact, the Liberals trumpeted in a Dec. 31, 2013 press release that:

“Ontario ranks the lowest among provinces in terms of public sector employees per capita. In 2012, Ontario had 6.5 public sector employees per 1,000 people, compared to a national average of 9.7 employees per 1,000 people.”

This means we have 33 per cent fewer public employees per capita than other provinces.

Chapter I: Creating Jobs and Growing the Economy



Spring Election Predicted

All the signs are pointing towards a spring election, now expected after the Liberals table the Ontario Budget in May. Many people believe this could be one of the most important provincial elections in Ontario history, especially for working people.

The government that Ontarians elect becomes our employer. Our contract expires December 31 and we are scheduled to begin bargaining for the new collective agreement in early November. It is not a stretch to say that if we want a good deal at the bargaining table, we need a good deal at the ballot box.

Kathleen Wynne is working hard to put her own stamp on the Liberal Party and says she wants to be “the Social Justice Premier.” This has not changed the underlying approach of the Liberal government (so

far) but in some cases it has changed the government’s words about what lies ahead.

However, public employees felt a deep sense of betrayal when Wynne’s government recently decided, unilaterally, to charge public service employees, LCBO employees, and others for half the cost of retiree benefits, effective January 1, 2017.

The Liberals’ deficit targets are unchanged but Finance Minister Charles Sousa has signaled that Liberals might extend the timeline for eliminating the deficit to support economic growth. Sousa has said: “Achieving a zero deficit is not a victory if you have zero growth and zero jobs.”

The Ontario PCs under Tim Hudak are calling for much deeper cuts to public services, jobs, and wages.

The PCs December 2012 policy paper on the public sector calls for:

- A two-year freeze of all public sector wages, union and non-union.
- Privatization of public services: ***“Here’s our test: if you can find the service in the phone book, why automatically hire a unionized government worker to do it?”*** Targets of privatization include: maintenance of government auto fleets and buildings, information technology, permit inspections, building maintenance, public transportation and food services.
- De-regulation: the PCs want to eliminate one-third of all provincial regulations over three years: ***“It will mean fewer people doing useless things on the public tab.”***

It is clear the PCs have a low opinion of public sector workers. The PC approach to job creation is based on the belief that cutting taxes, weakening unions, and lowering wages will attract investment to Ontario. They ignore the role of unions in reducing inequality, building Ontario’s middle class, and advocating for the common good.

On February 21, Hudak backtracked on his plan for a “worker choice” law that would

allow individuals in a unionized workplace to receive the benefits the union negotiates without paying the dues that make those benefits possible. **This about-face should be seen as a change in short-term tactics, not long-term strategy.**

In the 2011 provincial election, the NDP agreed with eliminating the provincial deficit by 2017-18 but proposed a different route to do so. The NDP proposed restoring the corporate income tax rate to its former level and capping the salaries of public-sector CEOs at twice the Premier’s salary. In 2012, the NDP was successful in demanding a two per cent surtax on those earning over \$500,000 a year, bringing in an estimated \$470 million to government coffers. Also in 2012, Horwath called the Liberals’ wage freeze “cynical and desperate” and called for “mature conversations,” not legislation, when the Liberals proposed Bill 115 covering education sector employees.

In 2013, the NDP were successful in lobbying for increased funding to reduce wait times for long term-care facilities, an end to the employer health tax exemption for large corporations, creating a \$295 million jobs fund for young workers and an independent budget watchdog.



Bargaining Outlook

Decisions made by successive governments to cut taxes have had a negative impact on public services and public service jobs:

- Ontario is **missing** more than \$18 billion a year in revenues because of tax cuts dating from 1995 onwards.
- Ontario has the **lowest** program spending per capita of any province.
- Ontario has 33 per cent **fewer** provincial public employees per capita of any province.

Job Cuts

Prior to the first OPS strike in 1996, OPSEU has 67,000 members. There were thousands of layoffs under Mike Harris. We gained some members under the Liberal government, but downsizing by the same Liberal government from 2009 to 2013 resulted in a loss of 5,200 members. Today, we represent 34,504 members in the OPS. In recent years, the Office Administration classification group has been particularly targeted for lay offs.

Not only has the number of jobs been slashed, but also the quality has, in many cases, diminished. Everyone wants the chance to do something meaningful with their work life. **We all need to feel like we are making a difference.**

It's been clear for some years now that the government doesn't want to offer employees a long-term career with regular opportunities for professional development and training except for the favoured few.

We want to see a change in attitude from this employer towards our members.

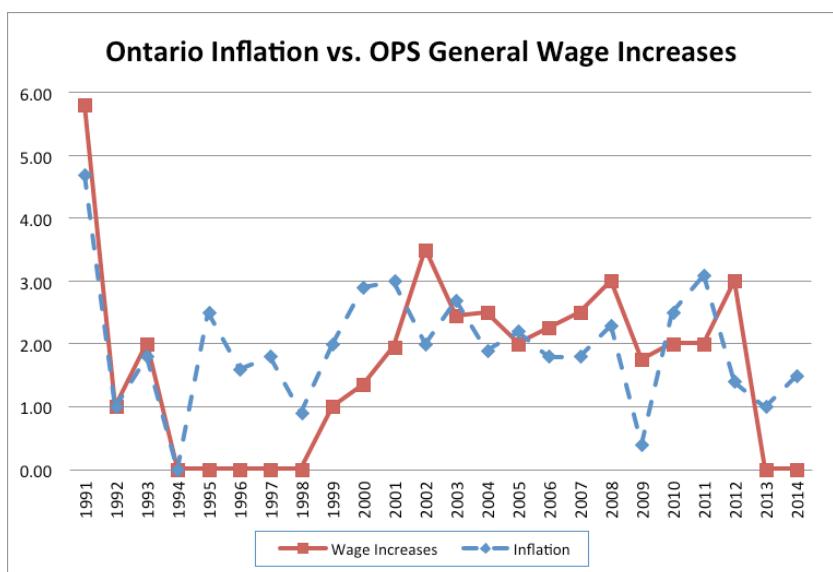
We want to contribute our experience, skills and knowledge to an organization that respects us and will give us the opportunity to grow our skills.

Finally, we want to see jobs open up in the OPS for young people in Ontario struggling to gain a foothold in the labour market. In 2013, only five per cent of regular OPS employees were under 30.

Wages

Your wages have not kept up with inflation. If OPSEU members in the OPS had received general wage increases since 1991 that matched inflation, **your wages would be seven per cent higher.** For an OPS member earning, for example, \$50,000 a year that equals to \$3,500 a year lost.

Take your annual salary and multiply by 1.07. That would be your annual salary if you received wage increases that matched inflation from the years 1991 to 2014.



- Average OPTrust pension (2012): \$20,005
- Retiree benefits will cost at least \$1,500 for family coverage equal to a 5.5% pay cut.



- Retired deputy minister Kevin Costante estimated pension (assuming 25 years of service at 2% accrual rate): \$120,412.82
- Costante retired 10 days after cutting OPSEU members' retiree benefits.

Retiree Benefits

On February 18, OPSEU members were shocked to learn they will be expected to pay half the cost of extended health benefits when they retire, a time in life when they can least afford rising costs. This change takes effect January 1, 2017. No negotiations or consultations took place prior to the announcement.

The cut to retiree benefits will hurt lower-paid OPSEU members more than high-paid managers.

Other bargaining units

MCP/EXCLUDED

The employer has imposed a number of changes in the MCP/Excluded employee group including:

- paramedical benefits
- short term sickness entitlements
- dental and drug coverage
- long-term disability protection
- MCO days
- termination pay
- pension and post-retirement benefits

AMAPCEO

The employer is seeking major concessions at the AMAPCEO table. As of March 20th, the employer was demanding the following from AMAPCEO:

Wages:

- Employer is proposing a 4-year deal – the first year with a salary freeze to be followed by 3 years of no net compensation increases
- Employer is also seeking concessions on other wage provisions of the AMAPCEO agreement, including merit pay and COC days.

Benefits

- Eliminate all current paramedical coverage for employees and their families for all services.
- Replace paramedical coverage with \$600 Health Care Spending Account for all paramedical services to cover an employee's entire family (with the exception of psychology and speech therapy).
- With a typical visit to a physiotherapist at around \$75-\$100, \$600 won't go very far for someone on Single coverage and is completely inadequate for Family coverage.

Termination Pay

- No further accumulation of termination pay
- Limit accrual of termination pay entitlement upon retirement to service accrued up to April 1, 2014, payable at the wage rates applicable on April 1, 2014.

Vacation

- Eliminate the one-time five-day vacation leave for employees at 25 year anniversary mark.
- Eliminate the one-time five-day vacation leave for 64-years-olds with 25 years of service.

Long Term Income Protection

- LTIP benefits cease at the moment a recipient is eligible for an unreduced pension (Factor 90 or 60/20). Currently, LTIP benefits continue until age 65.
- Pensions for LTIP employees to be based on LTIP payments instead of regular salary.
- LTIP employees to pay employee pension contributions (currently employer pays both employer and employee share).
- LTIP to begin after 17 weeks (down from current 26 weeks).
- Mandatory rehabilitation plan which could force people off LTIP into work they cannot do or which adversely impacts their health.

Short Term Sickness

- Reduce annual sick days from 130 days to 85 days to line up with changes to LTIP.

Workplace Safety and Insurance

- Eliminate period at 100% pay while waiting for WSIB decision, replace with sick days (66 2/3% pay).
- Eliminate 100% pay once a WSIB loss of earnings award is made for first 3 months.

Make employees pay for their salary increase

After its failure with the *Compensation Restraint Act* in 2010, the employer has taken this policy directly to the bargaining table by demanding that any across the board increases must be offset with an equivalent concession.

In other words, employees have to pay for their own salary increase.

It is also clear that the employer's agenda is targeting some of the most vulnerable workers in the OPS. Forced retirement for those on LTIP means that workers must retire, even if they were expecting to fully recover and return to work after being on LTIP. Having employees on LTIP pay the employee pension contributions is a cut in salary for those who are already on a reduced income.

And the concessions the employer is seeking for those on Workers' Compensation or for those awaiting a decision means that those workers, who were injured in the workplace, will now have their salaries reduced.

"OPSEU knows what it is like to face hostility and attack by employers. We know that an association like AMAPCEO needs all the solidarity and assistance legally possible during this tough period."

OPSEU President Warren (Smokey) Thomas

The Future of Public Services

In the past few years, the government has taken to calling funding constraints “modernization” or “transformation” in order to put a positive spin on things. Our members know differently.

The Main Threats to Quality Public Services

In 2013, funding cuts continued to shut down or limit direct services to the public:

- Thistletown Regional Centre, a highly-regarded centre for mental health services for GTA children and youth, closed on Mar. 31.
- The Ministry of Education will eliminate 96 hours of staff time per student at the Provincial Schools for deaf, blind, blind-deaf, and learning-disabled this year, a possible precursor to outright closure in the future.
- MNR field staff cut all together in seven communities and reduced in 24 field offices, firefighters eliminated from two communities, MNR Science Division eliminated, French Language Services eliminated in three communities.

- Four ServiceOntario counters closed and 22 had their hours reduced.

Funding constraints are crippling the government’s capacity to carry out its oversight responsibilities:

- 89 Long-term Care Inspectors hired to carry out annual inspections of nursing homes are employed on fixed-term contracts.
- Occupational Health and Safety Inspectors are not receiving the ongoing training and time with industry experts they need to remain current despite a five-year old report from the Ministry of Labour that outlined ongoing training needs for inspectors in all sectors.
- The workload of Probation and Parole Officers continues to be unmanageable due to the continual addition of duties and imposition of policies and screening tools without any more resources. The five-year freeze on hiring and spending, coupled with the increased responsibilities, leaves already overwhelmed staff with less time to focus on the core duty of supervising offenders in the community. This in turn diminishes public safety.

When we surveyed our members for bargaining, March 18-31, we asked them about the impact of cuts on services, comparing the situation today to five years ago:

- 43% said there were fewer OPSEU members in their work location doing the same job.
- 73.5% said their workload had increased a little or a lot.
- 39% said the quality of service delivered to the public and/or stakeholders had worsened.

- The three-year hiring freeze at correctional facilities has been lifted but a comprehensive re-assessment of staffing pressures is urgently needed because the system hasn't increased staffing complements in 20 years.
- Shrinking budget and staff resources at MOE and MNR have lead these two ministries to neglect core responsibilities, according to the 2012-2013 Annual Report of the Environmental Commissioner of Ontario. "These short-sighted changes to MNR will potentially have disastrous results for our province's natural heritage," said Gord Miller.
- The tragic child deaths in unlicensed home day cares underline the need for more licensed child care spaces and additional day care inspectors.
- OPSEU members are concerned that more activities are being moved to self-regulation, activities that if something goes wrong, could have a major impact on human and ecosystem health.

Privatization and high use of private contractors (consultants):

De-regulation and self-regulation:

- 25 per cent of all government IT staff are private contractors.
- The government spent an estimated \$183 million on Fee-For-Service contractors in 2013.
- According to a 2012 consultant's report, the cost per full-time equivalent employee **was more than double** when FFS contractors were used to do work on mainframe computing, Unix servers, Windows computing, storage and end-user computing.
- The government is promoting Social Impact Bonds (SIBs).
- SIBs could be used in the Ontario Disability Support Program to force more people with disabilities into employment.
- Increasingly ministries, such as MOE and MNR, are moving to a model whereby businesses simply register an activity online that only a few years ago would have been subject to an approval process, e.g. a public employee would have reviewed their application and granted an approval or not.

Despite years of funding constraints, OPSEU members report more managers are being added to their ministries than ever before. While the government won't backfill leaves of front line staff and delays filling permanent vacancies, no such restraint is shown towards managers.

There are 650 OPSEU members, almost all seasonal employees, who work at the five Provincial Schools for the deaf, blind, blind-deaf and learning disabled. They earn on average \$48,500 a year. The Ministry of Education will cut their hours in the coming school year, thereby reducing support services to more than 600 students.

In contrast, 21 managers of the Provincial Schools are on the Sunshine List for a total payroll cost of about \$2.78 million or an average salary of \$132,381 a year. They are all full-time, full-year employees.

- SIBs transfer public dollars to private investors in the form of profit if outcomes are improved.
- The SIB model is associated with cost-cutting and a resultant increase in low-paid, precarious employment.
- Starting in June, a private firm will manage a registry of court transcriptionists for profit. The long-established tradition of the expert in-court reporter producing the certified court transcript will be broken, paving the way for a system whereby firms set up typing pools of minimum-wage typists in Ontario or abroad.

Health and safety challenges in our public facilities:

- The government should fulfill its legislative responsibility to reassess the risk of workplace violence at all of Ontario's 167 courthouses following the shooting at the Brampton courthouse on March 28.
- Inmate-upon-inmate assaults in Ontario's correctional facilities are up almost one-third over five years earlier, according to statistics obtained by Canadian Press.
- Ontario's overcrowded correctional system is getting more dangerous by the year.

- The union reports two correctional officers are assaulted daily in the province's correctional facilities.
- Overcrowding and lack of inmate programming are triggers for violence. Understaffing and inadequate training for dealing with inmates with mental health issues are exacerbating the problem.

Technological change:

- Despite concerns about fraud and confidentiality, ServiceOntario is making more of its services available online, such as driver's license renewals.
- Technological change continues to have a big impact on many workplaces around the province, including the courts.
- Even as we learn more about the security threats due to the Heartbleed computer virus, the government is determined to deliver more services online.

Transfer of services to the Broader Public Sector:

- Many services formerly operated directly by the provincial government have been transferred to the BPS.
- This continues to be a threat as government looks for ways to offload responsibilities and cut jobs in the civil service.

