

THE BIG FREEZE; Duncan points to deficit as he ends pay raises for about 1 million public sector employees

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One million public service workers will have their wages frozen as the Ontario government digs itself out of a record deficit, Finance Minister Dwight Duncan says.

Duncan announced more spending on social programs in Thursday's budget, but warned that the civil servants who deliver them cannot expect pay raises.

"All of us who are paid with public tax dollars have a role to play here. We're all in this together," Duncan told the Legislature.

The surprise move dominated a budget that includes \$310 million for 20,000 new spaces in universities and colleges this September as part of a push to boost the rate of Ontarians with post-secondary education to 70 per cent from 62 per cent.

While existing union contracts for nurses, teachers, and bureaucrats will be honoured, future bargaining will be constrained by an edict from Queen's Park.

Duncan announced earlier this week that the deficit is \$21.3 billion and is projected to fall next year to \$19.7 billion.

But with shortfalls forecast until 2017-18, Duncan said Liberals had little choice but to move on public sector wages.

Ontario's debt - already at \$134.5 billion - will balloon by \$110.2 billion over the next eight years.

Canadian Union of Public Employees Ontario president Fred Hahn warned that would "lay all the groundwork for labour unrest in the broader public sector."

"This budget is kind of like a wolf in sheep's clothing," said Hahn.

Premier Dalton McGuinty's de facto wage freeze - which could last beyond 2014 - affects 1.06 million Ontarians in the "broader public sector," or about 16 per cent of the workforce.

That includes 710,000 unionized employees and 350,000 managers and other non-bargaining workers. Some workers, though, may be able to secure hikes within existing salary categories.

Looming legislation will override existing employment agreements for non- union employees - and unionized workers will be expected to follow suit when their deals expire. They are being urged to sign two-year contracts next time around.

Noting half of government spending goes toward payroll, Duncan emphasized he could have been more heavy-handed.

"We will not propose mandatory days off," the treasurer said, rejecting so- called "Dalton Days" involving unpaid furloughs. "That is why we will honour existing collective agreements."

The move affects more than 750 different contracts that expire as early as next Wednesday, and include those with the Ontario Public Service Employees Union (OPSEU) ending Dec. 31, 2012 and teachers as of Aug. 31, 2012.

The Liberals dodge a political headache, as most of the major labour accords - such as one with Ontario doctors - wrap up after the October 2011 provincial election.

However, a new arrangement must be reached with Ontario nurses by March 31, 2011 and agreements with many employees at universities and colleges end this year and next.

Once those deals expire, Duncan warned of "significant steps to control expenses" on wages, which would save \$750 million by next year. "We will not fund any increases in overall compensation as those agreements get renegotiated. That's an important point to bear in mind," he said, signalling restraint to universities, school boards, and hospitals as they enter labour talks.

"We expect our transfer partners to bargain responsibly so that, together, we can do our part to protect schools and hospitals."

Progressive Conservative Leader Tim Hudak, who has been pushing for an even more sweeping wage freeze and the reopening of union contracts, said the Liberals did not go far enough.

"It's a bit like the captain of the Titanic saying we just have to worry about the tip of the iceberg," said Hudak, insisting McGuinty "lacks the backbone" to make tough choices.

While NDP Leader Andrea Horwath accused the government of balancing the budget on the backs of workers, her criticism was muted. "Everyone recognizes that times are tough," said Horwath, sounding nonplussed that "a lot of the six- figure salaries" at hospitals and Crown corporations would be frozen.

But OPSEU president Warren (Smokey) Thomas said, "It's difficult for workers to swallow some of this stuff when you see bankers and investment houses ... going back to multi-million bonuses after just being bailed out."

Sid Ryan, president of the Ontario Federation of Labour, said the budget is just an "opening salvo" by a government demanding some restraint in the public sector.

Municipal workers, including police officers, firefighters and garbage collectors, will not be affected.

Symbolically, a one-year wage freeze for MPPs will be renewed for the next two years. Salaries will also be frozen for two years for political aides and Legislative Assembly staff.

The size of the Ontario public service will remain at 68,645 workers for now, but be reduced by 5 per cent through attrition and other measures by March 31, 2012.

Despite the end of recession late last year, Queen's Park is being forced to act, in part, because unemployment will remain high. It's expected to stabilize at 9.1 per cent before dropping to 6.8 per cent by 2013.

Belt-tightening will also derail expansion of public transit projects to save \$4 billion over five years, including the TTC's planned Light Rail Transit (LRT) lines for Eglinton and Finch avenues and expansion of Scarborough rapid transit, a decision that a furious Toronto Mayor David Miller called "disgraceful."

Toronto's loss was the north's gain - there will be new Northern Ontario energy credits with up to \$200 to subsidize higher heating costs and a three- year program worth \$150 million annually to reduce industrial electricity rates there.

As first disclosed by the Star on Wednesday, there is a \$63.5 million rescue plan to save 8,500 subsidized daycare spaces that had been threatened by the end of federal funding.

The Liberals, however, will scrap the special diet allowance designed to help welfare recipients with medical conditions. That fund had ballooned from \$6 million in 2003 to \$200 million last year and will be replaced with a new system that can't be as easily abused.

There was some good news for the treasury buried in the fine print of the budget papers: The harmonized sales tax, which blends the 8 per cent provincial sales tax and the 5 per cent federal goods and services tax as of July 1, will add \$1.2 billion to Ontario coffers this coming year and another \$2 billion in 2011-2012.

No provincial assets are being sold off - yet - though the government will continue to explore its options for Crown agencies such as the Liquor Control Board of Ontario, Ontario Power Generation, Hydro One, and the Ontario Lottery and Gaming Corp.

With files from Richard J. Brennan

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