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LEGISLATIVE SERVICES	
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Subject: AMO breaking news re Labour Policy Update

TO THE IMMEDIATE ATTENTION OF COUNCILS AND CLERKS

March 26, 2010

Ontario Finance Minister Encourages Municipalities to Freeze Compensation

The 2010 Provincial Budget directs that Ontario Government to freeze compensation structures in the Ontario Public Service and in the Broader Public Sector but exempted municipal governments. However, the morning after the Budget, Finance Minister Dwight Duncan expressed through media interviews that he hoped municipalities would 'follow the Province's lead'.

AMO is working to determine what the Province's expectations are with respect to compensation matters. In the meantime, AMO is sharing with its member (a) the messaging that we have delivered to interested media, and (b) more detailed information about what is contained in the budget.

a) AMO's Response to the Media

Q. What is AMO's reaction to Finance Minister Dwight's call for municipalities to follow Ontario's lead and freeze compensation structures for two years?

Ontario municipalities are weathering the same recession that the Ontario government is -- and we have our own unique challenges.

Our fiscal challenges are always top of mind when we sit down to discuss wages and benefits and that will certainly continue to be the case over the next two years.

If there are specific outcomes that the Province has in mind, we would want to sit down with them and learn more about what reforms the Province would introduce to make them possible -- particularly given that so many of our collective agreements are determined through interest arbitration.

Q. Why does the Ontario Budget exempt municipalities from the compensation measures that are targeted at the Ontario Public Service and Ontario's Broader Public Sector?

The Ontario Government respects municipalities as a duly elected order of government that is fully accountable to the public. That principle is reflected in the Ontario Municipal Act.

b) 2010 Ontario Budget Compensation Measures

(Source: Ontario Ministry of Finance, Pages 51 -52 of the 2010 Budget Papers)

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"Compensation costs account for the majority of Ontario-funded program spending, either paid directly through Ontario Public Service (OPS) or as part of the government's transfer payments to schools, hospitals and many other public-sector partners. Protecting services requires limiting compensation growth to direct scarce resources to service delivery."

As an immediate step, the government will introduce legislation that would:

- Extend the existing freeze of the salaries of Members of Provincial Parliament from one to three years
- Freeze the compensation structures for non-bargained political and Legislative Assembly staff for two years
- Freeze compensation structures in the Broader Public Sector and the OPS for two years for all non-bargained employees. "The legislation would apply to substantially all organizations covered by the Public Sector Salary Disclosure Act, except municipalities. It must be inclusive to be effective in controlling growth in the compensation costs and in protecting services and jobs."

The province says these compensation measures would, in two years, help it redirect up to \$750 million towards sustaining schools, hospitals and other public services.

"Going forward, the province's fiscal plan provides no funding for net incremental compensation increases for any future collective agreements." For example, this would likely affect the Ontario Provincial Police collective agreement (December 2011) as it comes up for renegotiation during the two year period.

"All existing collective agreements in the public sector will be honoured. As agreements are renegotiated, the government will work with transfer payment partners and bargaining agents to seek agreements of at least two years' duration. These agreements should help manage spending pressures, protect public services that Ontarians rely on and provide no net increase in compensation."

AMO is aware that municipal governments have implemented various cost containment actions already, including organizational rationalization/re-structuring and managing vacancies. At the same time, the public expect those services from municipal governments that they rely on daily to be provided.

Again, AMO will be pursuing clarity of the government's expectation and ability to achieve it. We will keep our membership informed.

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