

AMO's Proposed Improvements to Interest Arbitration

Ontario's municipal leaders represent a wide range of views, experience and political backgrounds. They have come together to propose balanced and practical changes that are needed to strengthen the interest arbitration process. Specifically, their proposals would:

- Improve efficiency
- Improve accountability and transparency of decision-making
- More accurately assess a municipality's fiscal health

These improvements can be achieved by making changes within the existing legislative framework, and in a manner that compliments the existing interest arbitration process.

Meaningful Improvements

While two bills on this issue were introduced in 2012, both fell short of achieving needed improvements. Now, all parties need to work together to deliver what will best serve the people of Ontario.

Previous government proposals did not give priority to local circumstances nor did either provide arbitrators with more specific and appropriate criteria for evaluating fiscal health. Establishing this criteria and getting it right is essential to achieving meaningful improvements.

AMO further advocates for a single arbitrator model, which offers efficiency while retaining the current process. As well, interest arbitrators should be given one year following the hearing to complete their work, which provides flexibility for both parties while also affording a timely resolution.

Achieving the Spirit of Existing Legislation

Current legislation states that, when making a decision or award, the arbitration board shall take into consideration all factors it considers relevant, including:

- The employer's ability to pay in light of its fiscal situation,
- The extent to which services may have to be reduced, in light of the decision or award, if current funding and taxation levels are not increased,
- The economic situation in Ontario and in the municipality,
- Comparison to other employees,

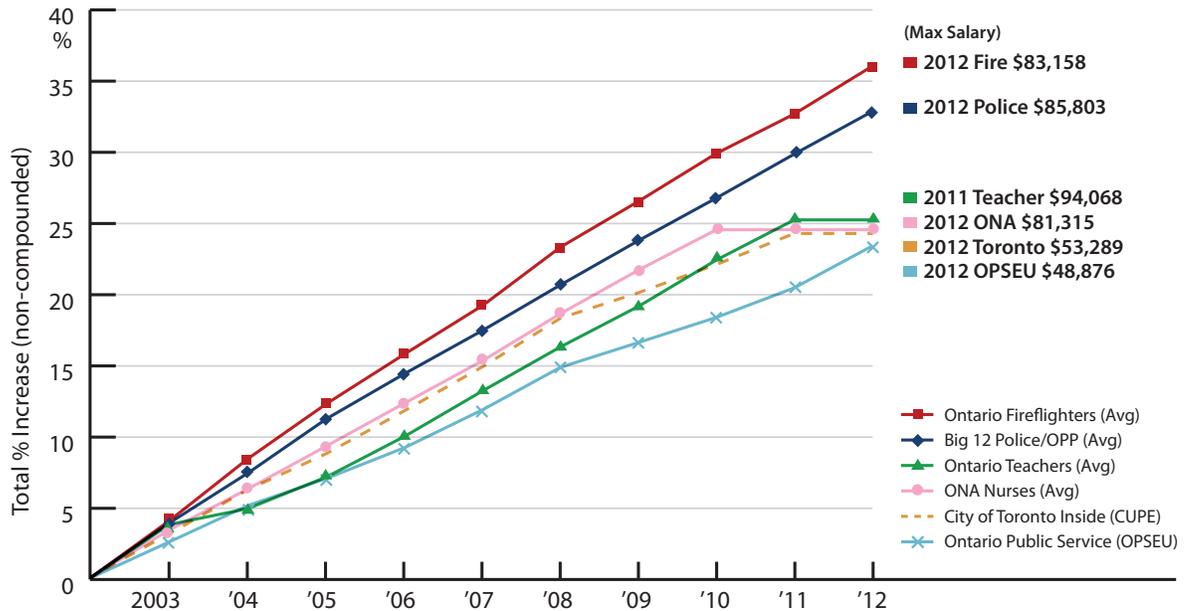
- The employer's ability to attract and retain qualified employees,
- The interest and welfare of the community, and
- Any local factors affecting the community.

The intent is to have local realities and economic conditions play a role in arbitrators' awards that are comparable to negotiated contracts.

For more than a decade, emergency service costs have been growing at an alarming pace. Cumulative wage increases for police, fire and paramedic employees have exceeded growth in Canada's Consumer Price Index by between 50% and 80%. Growth in emergency service

Wage Growth in the Broader Public Sector (BPS) since 2003

Source: Ontario Ministry of Labour



wages and benefits, including pension benefits have also exceeded growth for average Ontarians, private sector employees, general CUPE and OPSEU employees, registered nurses, and teachers.

For several years, wage restraint and deficit fighting has been paramount as Ontario's public sector struggles with undeniable fiscal challenges. Despite this, and despite the criteria within the current interest arbitration regime, generous awards for emergency services employees have continued unabated. In part this is because arbitrators have stated that they place a greater priority on replicating agreements from other communities over local fiscal circumstances. Ability to pay has become nothing more than 'ability to tax.' Property tax rates impact economic growth just as much as provincial taxes.

Recent awards in early 2013 include a 12% increase over three years for firefighters in Georgina, and a 23% increase over four years for firefighters in Scugog.

Understandably, many municipalities feel forced to negotiate police, fire and paramedic contracts that far exceed agreements with their other unions. The alternative is arbitrated settlements that they cannot afford.

AMO's Proposals

AMO is proposing changes that would help to ensure that the original intent is achieved. These changes would not impose limits on an Interest Arbitrator's ability to award costs. They would ensure that decisions are completed in an efficient manner, are more accountable and transparent, and are tied to meaningful assessments of a municipality's fiscal health.

Improving Efficiency

Practical time limits would enable municipalities to better manage financial impacts. Our advice would see:

- Interest Arbitrators given one year to complete their work.
- The current single arbitrator model would be applied to all hearings which would eliminate time and treat all services identically.
- Deadlines would be imposed for post-hearing submissions.
- Upon request by a party, arbitrators would provide written reasons for the award, and a clear explanation of how a community's financial health was considered, using meaningful criteria.

Improving Accountability and Transparency

Interest Arbitrators make decisions about public spending. The public has a right to know that appropriate due diligence has been exercised when tax dollars are committed. It is fair and reasonable that arbitrators consider:

- The fiscal health of the municipality, based on clear, measurable criteria, as a priority. The proposed criteria are similar to those used by the province for distribution of the Ontario Municipal Partnership Fund.
- Settlements reached by the same municipality, with other employee groups.
- The total compensation of the entire proposed agreement (present and future liabilities) compared to that of comparable collective agreements.
- The tax increase that would be needed to pay for a proposed agreement, without reducing services.
- The employer's ability to find and retain qualified people.
- The interest and welfare of the community served by the employer.
- Provincial law or ministerial directives that place financial limitations on employers.

Accurately Assessing the Fiscal Health of Communities

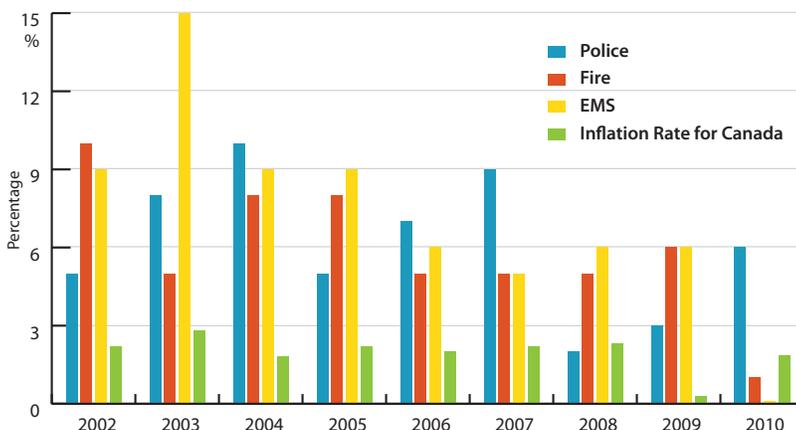
Financial experts have offered more reliable measures of a municipality's capacity to pay. Interest Arbitrators would use fiscal health indicators that include:

- Total property tax assessment (the total property tax base)
- Property tax assessment per household
- Ratio of residential, commercial and industrial properties
- Actual tax revenues
- Proportion of unpaid property taxes
- Rates of employment/unemployment
- Social service caseload
- Median household income
- Proportion of low-income households
- Compensation of other municipal employees in the same community
- Compensation of public sector employees in comparable communities
- Compensation of private sector employees in comparable communities

For more information about AMO's Interest Arbitration proposals, please contact us, or visit www.Bit.ly/AMOInterArb.

Growth in Emergency Service Wages vs. Inflation

Source: Statistics Canada and Ontario Ministry of Municipal Affairs and Housing Financial Information Returns (2002-2010)



About AMO

AMO is a non-profit organization representing almost all of Ontario's 444 municipal governments. AMO supports and enhances strong and effective municipal government in Ontario and promotes the value of municipal government as a vital and essential component of Ontario and Canada's political system. www.amo.on.ca