



Making sense of the PC attack on OPSEU

Background information and research from OPSEU Political Economist Randy Robinson

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On December 9, PC caucus members and their leader, Tim Hudak, launched an attack on OPSEU. They blamed unions, OPSEU, and OPSEU President Warren (Smokey) Thomas in particular for just about every economic and social ill facing Ontario. In a letter to Smokey, they suggested OPSEU was responsible for corporate decisions to cut jobs in Ontario. They also said OPSEU isn't financially accountable to its members. They even implied that OPSEU is involved with organized crime.¹

With many people betting on a provincial election this spring, this report sets out a few facts OPSEU members and the public should know when assessing statements by the Ontario PC party in the weeks and months ahead.

The PCs' attack was meant to promote two policy ideas they cooked up last year. The first is the idea of tying up unions in red tape (ostensibly in the name of accountability) so they will be less able to represent their members effectively; the second is the idea, which is the law in some U.S. states, of allowing workers to receive the benefits of union representation without paying the dues that make those benefits possible.

These issues will be addressed in order.

1. Dues evasion and an end to the "Rand Formula"

One policy the Tories are proposing would be to bar employers from remitting members' dues to unions through payroll deduction. They say unions should collect dues from their members themselves.

The current system of payroll deduction is certainly not onerous for employers, who must operate payroll systems whether the workforce is unionized or not. Clearly, the Tories' purpose for proposing this is simply to force unions to put their energies into creating new structures and systems to collect dues rather than focusing on representing members. The change the PCs are proposing ties in with their central goal with respect to labour law: *to make unions less effective and thereby make it easier for private-sector employers to boost their profits by driving down wages and reducing public services.*

2. Respecting union dues

OPSEU is meticulously accountable for how union dues are spent.

Every year, a democratically-elected President works with a democratically-elected First Vice-President/Treasurer to put together a budget for the union. They take that document to be scrutinized and amended by seven democratically-elected Regional Vice-Presidents, and when this is done, they take it to the full Executive Board, made up of 21 democratically-elected members whose expenses are published along with the budget documents.

At the Executive Board, there is an examination of every expense from previous years to decide which expenditures still need to be made and which ones are no longer necessary. Then the Executive Board looks ahead to the upcoming year to figure out the best use of members' dues, and builds the budget from that.

Any OPSEU member can attend Executive Board meetings at any time. A democratically-elected audit committee scrutinizes spending throughout the year, and an independent accounting firm audits the books. Both report to Convention.

For OPSEU, budget-making is about as open and democratic as it can be. At Convention, the budget is debated by some 800 delegates who are democratically elected by members at the local workplace level. These delegates have personal experience and considerable expertise in all the work the union does, from collective bargaining to grievance handling to pension administration to education to communications; many of them also have financial expertise from their professional work as accounting professors, financial auditors, economic development specialists, and so on. At Convention, any delegate can speak and any delegate can propose an amendment to the budget. Any amendment can pass – as long as it has majority approval.

The budget OPSEU members create with the dues they all pay enables the union to bargain and enforce collective agreements that deliver close to \$7 billion a year in negotiated wages for the workers represented. And that's not counting the value of the benefit and pension plans the union bargains and (in many cases) administers.

The union budget process is much more open and vastly more democratic than what is typically seen from corporations, political parties, or government. To take just one example in the news recently, the Harper government is blocking Canada's parliamentary watchdog from accessing information about more than \$5 billion in cuts to vital public spending.² Conservatives are not exactly setting a high standard for accountability these days.

In contrast, OPSEU's approach is open, transparent, and democratic to the core, based in a constitution and a policy manual that anyone can Google.

The PCs are apparently outraged that unions might decide to spend dues dollars on political causes. They name a few such causes, but fail to mention the one that has the Tories so hot and bothered: *our belief that strong unions have a key role in building a fair and prosperous province.*

With 130,000 members, some OPSEU dues payers may not like to see their union speaking out on political issues, particularly if a position the union takes is different from their own. But democracy does not mean unanimity. It means group decision-making. It means the right to have a say in decisions. And it means following the will of the majority while respecting the right of the minority to have a voice.

That is why OPSEU continues to take stands on political issues – especially those that affect its ability to represent OPSEU members on the job. The PCs’ labour law proposals are exactly that kind of issue.

This summer, OPSEU hired a veteran reporter to make a documentary film about Tim Hudak’s plans to change Ontario labour law. The resulting film, *Made in the USA*, takes viewers to South Carolina, a state whose workers have lived since 1954 under the kind of law Hudak is proposing.³ After viewing the film, our Executive Board decided, given the importance of the issue, to mail a DVD to every member we could reach. The DVD arrived in members’ mailboxes in November.

Made in the USA is a great educational tool. OPSEU invited other unions to show it to their members, and they are doing so. Every day, more and more working people are learning what the Ontario PC party has in store for them. And that’s why the Tories are picking a fight with OPSEU. OPSEU is effectively countering their distortions and spin. That’s why they want OPSEU and its leaders to *shut up*.

3. So what are the Tories saying about union dues?

As mentioned above, the Tories are proposing that workers who receive the benefits of union representation should be able to opt out of paying the dues that make those benefits possible. They call this “worker choice”; in the United States, it is commonly known as “right to work” legislation; in union circles it is mostly called “free rider” legislation.

Under Canadian law, people who take a job in a unionized workplace are required to pay union dues. The reason for this was laid out by Supreme Court Justice Ivan Rand in 1946 when he wrote the arbitration ruling that settled a major strike by workers at Ford in Windsor, Ontario. Rand’s rationale was simple enough: *if you benefit from a service, you have a moral and legal responsibility to help pay for it.*

It is surprising that people who call themselves Conservatives are proposing a law that allows some people to get something for nothing. It used to be that a Conservative was someone who believed in honest exchange and paying for what you get. Not any more, apparently. These days, it seems, a Conservative is someone who happily takes a taxi ride but then refuses to pay – all in the name of “freedom of choice.”⁴

Conservative Premiers in the ‘50s and ‘60s were business-friendly, to be sure, but also aware of the role of working people and their unions in ensuring that prosperity was fairly shared. But ever since Mike Harris was elected in 1995, we have a new kind of Conservative. The new Conservative is only interested in boosting profits for corporations by driving down wages for working people and wiping out the public services we all depend on. The real purpose behind the Ontario PCs’ plan for labour is to weaken unions so wages can go lower, corporate profits can go higher, and CEO bonuses can go through the roof.

The reward for the foot soldiers like Tim Hudak who carry the torch for corporations? Mike Harris knows the answer. In 2010, long after he resigned as Premier, he was still cashing in. That year alone, he raked in \$750,000 for his work as a part-time director for Magna International.⁵

Conservative Premiers like Leslie Frost, John Robarts, and Bill Davis were builders. They built highways, and OHIP, and our community colleges. They put the economy on a solid foundation of public infrastructure and public services. Today's Conservatives, in contrast, don't want to build Ontario. They just want to tear it down – and sell it off.

Given its break with its past, it's small wonder the Ontario PC party is split on major policies. At their policy conference in September 2013, just 53 per cent of delegates supported Hudak's "free rider" proposals for labour.⁶

4. Unions and the economy

Tim Hudak blames unions for the current sluggishness of Ontario's economy. He says that if only unions were weak enough, wages would be so low that all kinds of manufacturing jobs would come pouring in to Ontario.

This is a fool's approach. If your economic strategy is based on low wages, you will have low wages; low wages will never make you rich. And there is no guarantee that low wages will attract jobs. For example, the U.S. state of Oklahoma adopted a free-rider ("right-to-work") labour law in 2001, but

...even for those manufacturers seeking cheap labor, the right-to-work advantage has proven no advantage at all when states are competing with the cheapest labor forces on the globe. In the years since right-to-work was adopted in Oklahoma, for instance, more than 160 Oklahoma employers announced mass layoffs, and more than 100 facilities have closed their doors in the face of lower-wage competition abroad.⁷

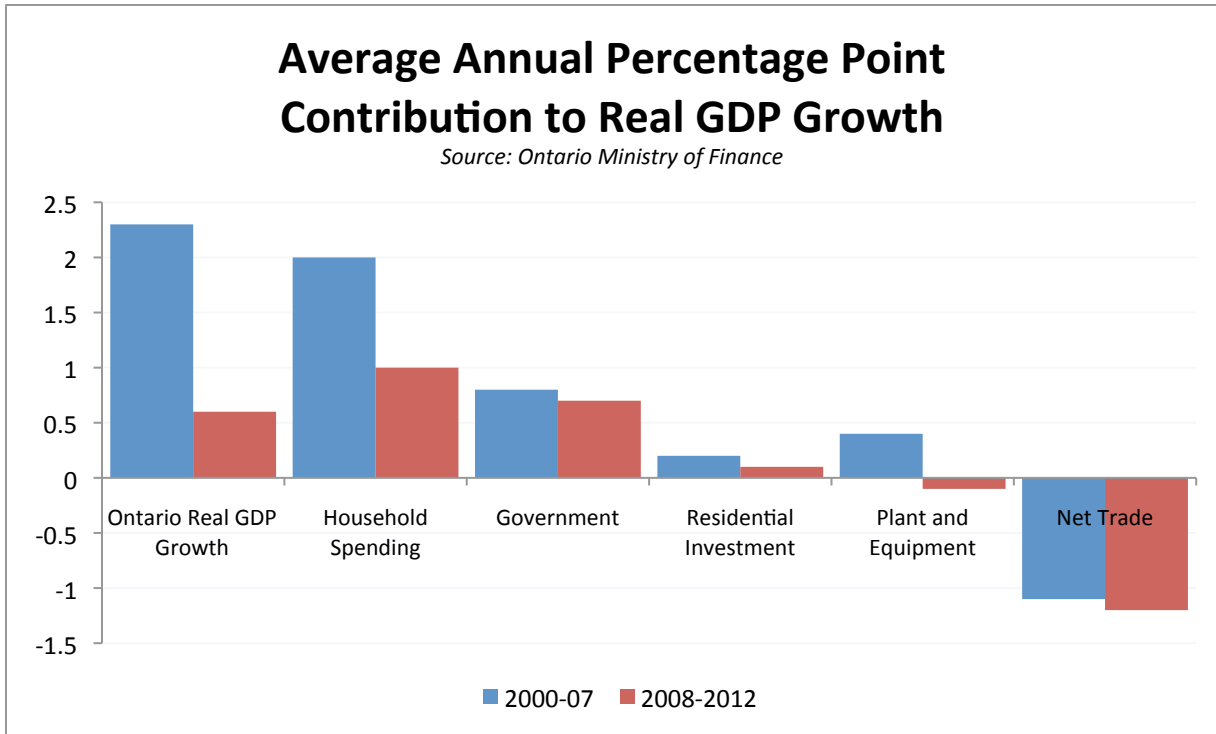
The secret to economic success in Ontario has not changed fundamentally just because the province is dealing with the aftermath of a global recession. Modern infrastructure and a skilled, educated workforce are just as important as they ever were. But these things alone are not enough. We need a fairer, more equal province that puts money in workers' pockets to support consumer spending; and Ontario needs a managed approach to trade, not the *laissez-faire* approach the Tories like to champion.

5. What really drives economic growth?

To understand what needs to be done for Ontario's economy – instead of attacking working people and their unions – we need to look at what is, or isn't, driving economic growth.

In the first years of this century, from 2000 to 2007, Ontario's economy was driven by strong household spending, strong government spending, and some business investment. Exports played a major role in keeping Ontarians working, but the money earned through those exports was less than the money needed to pay for imports, so net trade did not add to economic growth overall.

In the period from 2008 to 2012, household spending fell as people lost jobs and wages to the Great Recession; government spending stayed steady as the Ontario government, like governments around the world, moved to stabilize the economy; business investment was negative; and net trade did not improve.



Looking ahead, Ontarians are now living in a time when government spending is negative. This is keeping the economy weak. To repair Ontario's economy – and provincial finances – after the recession, two main things are needed: *first, strengthen local economies by putting more money in consumers' pockets and maintaining government spending on vital public services and infrastructure; and second, improve the trade picture by selling more exports, buying fewer imports, or both.*

It is not as if the province is broke. There is more money in this province than ever before. The problem, however, is that it is more unfairly distributed than ever before. As Statistics Canada pointed out on December 10, the richest one per cent of Ontarians now collect 12 per cent of the income in this province, a rate second only to Alberta.⁸ Canadian corporations, meanwhile, are hoarding close to \$600 billion in cash that they are not investing. The reason for this is simple: their customers are broke – up to their eyeballs in debt. Until we shake loose some of that “dead money” that corporations are holding⁹, consumer spending will remain weak.

Ontario has now reached the point in the Monopoly game where one player (the corporate sector) holds most of the cash while the other players are scraping by, rolling the dice and hoping to survive another turn.

A new game is needed in Ontario, and one way to start it is with tax fairness. Both Prime Minister Stephen Harper and former Ontario Premier Dalton McGuinty tried to stimulate business investment with corporate tax cuts, but that failed: it gave corporations more money but did nothing to make new investment happen. What will cause new investment is *more spending* in the economy. The simplest thing to do, under the circumstances, is for government to raise money through tax fairness measures and then plow it back into the economy in the form of public services and infrastructure. Tax fairness measures could include restoring the corporate income tax rate to its 2009 level of 14 per cent, making

personal income tax more progressive (the way it used to be), introducing a Financial Transactions Tax like the one under discussion in much of Europe, or other measures.¹⁰ Tax cuts initiated by the Mike Harris government continue to cost the Ontario treasury billions of dollars every year. Combined with cuts to personal and corporate income taxes brought in by the Liberal government of Dalton McGuinty (and even taking into account the money raised by the introduction of the Ontario Health Premium in 2004), the Harris cuts mean *public coffers are now missing \$17 billion a year* in revenue. And the lion's share of the tax reductions went to corporations and high-income individuals.¹¹

One consequence of the tax reductions over the last 18 years is that Ontario now spends less per capita on program spending (all government spending not including debt interest charges) than any other province in Canada.¹² This is hurting people *and* the economy. Public services not only provide jobs and services people need; they also put dollars into communities. And that's what is needed now.

6. More workers need to be in unions.

The fairer wages unions negotiate build consumer spending power. And that's good for everybody. Ontario needs legislation to make union organizing and collective bargaining easier, not harder.

Tim Hudak and the PCs are correct in saying that manufacturing jobs are leaving Ontario, but they are not correct when they say that union wages – or Ontario's labour laws – are the reason why. It is interesting to note that when Heinz announced the closure of its plant in Leamington, Ontario, at a cost of 740 jobs, it also announced the closure of a plant in Florence, South Carolina, which already has rock-bottom labour costs. Kellogg's recently announced the closure of its cereal plant in London, Ontario but has also locked out its workers in Memphis, Tennessee for refusing to go along with the company's plan "to replace steady, middle-class, full-time jobs with casual, part-time employees who would make significantly lower wages [\$6 less per hour] and substandard benefits."¹³

For workers on both sides of the border, the issue is not labour law, but the kind of corporate greed that pays Kellogg's CEO John Bryant \$6.6 million a year but destroys the middle-class working class.

Manufacturing workers in Canada face another challenge: the consolidation of production south of the border.

This consolidation was predicted by opponents of the Canada-U.S. Free Trade Agreement in the 1980s. Early on, one of those opponents was federal Conservative leader Brian Mulroney, who observed that "All that would happen with free trade would be the boys cranking up their plants throughout the United States in bad times and shutting their entire branch plants in Canada."¹⁴

Mulroney famously changed his mind about free trade, but his prediction came true nonetheless. Even so, Canadian manufacturing did recover from the shock of free trade, and by 2002 manufacturing employment had reached a new peak. The cause had nothing to do with the percentage of unionized workers in manufacturing, which changed only a little during that era, and everything to do with the value of the Canadian dollar. In 2002 the dollar fell below 62 cents U.S. Within five years, though, one Canadian dollar was once again buying one U.S. dollar, and as the dollar rose, manufacturing employment fell.

According to the Organisation for Economic Cooperation and Development, whose members are the top industrialized countries, the actual value of the Canadian dollar should be in the range of 81 cents U.S.¹⁵ At this level, the lower price of Canadian manufactured goods and services would allow Canadian exporters to make new inroads into U.S. and other markets, but *without* driving down workers' wages (and consumers' spending power) as the Ontario PCs propose. Interestingly, the PCs appear to have no position on what level the dollar should be, even though it is often the most important factor affecting the international price of Canadian exports.¹⁶

Fortunately for Ontarians who care about manufacturing, the value of the Canadian dollar may be returning to its "natural" level, quietly aided by the Bank of Canada.¹⁷ The current rate of 94 cents is a significant improvement over recent levels. But it still has a long way to go.

The Conservatives' policy papers call for extreme measures to cut wages across the economy and privatize or get rid of public services altogether. This approach has not made Mississippi prosperous, and it won't help Ontario either. There is a better way.

One claim the Conservatives make is that the Ontario government has a "structural deficit" and that this justifies slashing jobs and services in the public sector. This is incorrect. Ontario currently has a *cyclical* deficit caused by the 2008-09 recession. When the economy is once again operating at closer to full capacity, the provincial deficit will disappear. There is no need to destroy public services. The key is to get the economy back towards full capacity.

7. Public spending: a pillar of the economy

Making Ontario's economy stronger will not happen by cutting public services *or* attacking unions. Public spending is a key pillar of our economy. It supports the physical and human infrastructure the economy needs, it reduces economic inequality by providing services like health care to all of us regardless of income, and it can sustain the economy when the private sector stalls. Unions help turn low wages into middle-class wages. Their work sustains the economy.

The PCs seem outraged at the idea that the public sector could actually grow as Ontario grows. What they don't seem to get is that the number of provincial public employees as a percentage of the population is lower today than at any time since 2006. Also, *it's currently lower than the average of the last 30 years.*¹⁸

They PCs claim to be "shocked to learn that in the past ten year's Ontario's government unions have grown by 300,000...."

The clear intent of this message is to make it seem like the Ontario government is rapidly expanding the provincial public sector in a way that is unreasonable. It's not. Here's why:

- public sector job growth in Ontario has actually been 255,000 jobs over 10 years, not 300,000¹⁹;
- the number Tim Hudak likes to cite refers to *all* jobs in the public sector, including municipal jobs, federal jobs, and provincial jobs, not just provincial jobs. The actual number of provincial jobs created in Ontario in the last decade is more like 115,000²⁰;
- roughly 30 per cent of those workers are not unionized;²¹

- population growth over the last 10 years has gone up by over 1.3 million Ontarians, increasing the demand for public services;
- the decade of growth in the number of public employees followed a decade of cuts under the Harris Tories, which contributed to such public-service disasters as the Walkerton water tragedy and a service deficit right across the board; and
- in 2012, the number of provincial public employees as a percentage of the population was about 5.8 per cent. That's actually *lower* than the 30-year average of 5.9 per cent.²²

The PCs regularly deride anyone and everyone who works in the public sector, whose only “crime” is to have chosen a career serving the public. Yet the work of OPSEU members is vitally important to the well-being of people, communities, and the economy. Any day of the year, an OPSEU member could be saving lives as an ambulance paramedic, keeping communities safe as a probation officer, imparting job skills to tomorrow’s workforce as a college teacher, or helping someone with a developmental disability live life to the fullest – to give just a few examples. Does the need for these services grow as population grows? Of course it does. The Tories’ phony outrage over some modest growth in public services ignores this fact – and it also ignores the public sector job cuts happening all over Ontario right now.

8. PCs ignore fairness

The Ontario PC party’s approach to unions, public services, taxation, and the economy ignores one fundamental issue: fairness.

What kind of Ontario do people want to live in? One with high levels of inequality, where the richest live in luxury while the rest of us polish their shoes? Or one with a broad middle class and quality public services that improve all our lives, now and into the future?

If the former is the choice, Tim Hudak and his assorted backbenchers are more than happy to deliver. They can come up with any number of ways to interfere with the work of unions and slash the services that OPSEU members are proud to provide.

But if people want a better, fairer, Ontario, we need to choose a different direction. Many high-profile Conservatives are already rejecting the path laid out by Hudak:

- Conservative Senator Hugh Segal told an audience recently that “My Canada is one where trade unions and free collective bargaining make Canada a better place to live.”²³
- Former Ontario PC leader John Tory said recently that Tim Hudak should take “the ‘right to work’ stuff and get rid of it.”²⁴
- Conservative strategist Nick Kouvalis, famous for running Toronto Mayor Rob Ford’s election campaign, pointed out that nearly half of top Conservatives voted against the Hudak policy at their conference in September. “If PC members are largely split on ‘right to work’ legislation, then this is not a winner with the general population,” Kouvalis said.²⁵

OPSEU members work hard for Ontarians every day. With a provincial election likely just months away, OPSEU will speak out in favour of fair treatment for working people and quality public services for every Ontarian. That means it will continue to be at odds with politicians like Tim Hudak who want to set Ontario back. **Notes**

¹ This is interesting coming from a Tory at a time when Toronto Mayor Rob Ford is the only politician in Ontario whose name has been associated with members of criminal gangs and Prime Minister Stephen Harper's office is under investigation by the RCMP for alleged corruption in the Mike Duffy affair. Our Legal Counsel is contacting the Ontario PC party over the latest remarks.

² Whittington, Les (2013). "Without a safety net: Canadians still in dark about budget cuts, says parliamentary watchdog." Toronto *Star*, December 10. Web edition: http://www.thestar.com/news/canada/2013/12/10/without_a_safety_net_canadians_still_in_dark_about_budget_cuts_says_parliamentary_watchdog.html.

³ *Made in the USA* is online at www.madeinusa.com.

⁴ Award-winning film director Bruce McDonald directed a funny short video on this subject in March 2013. It's available at www.nofreeride.ca.

⁵ Van Alphen, Tony (2011). "Mike Harris adds chairman to list of Magna titles." Toronto *Star*, May 10. Web edition: http://www.thestar.com/business/2011/05/10/mike_harris_adds_chairman_to_list_of_magna_titles.print.html.

⁶ The Canadian Press (2013). "Hudak won't back down on controversial union policies." CP24, September 29. Web edition: <http://www.cp24.com/news/hudak-won-t-back-down-on-controversial-union-policies-1.1475468>.

⁷ Lafer, Gordon (2011). "Right to Work: The Wrong Answer for Michigan's Economy." Washing, DC: Economic Policy Institute, September 15, p. 15.

⁸ Statistics Canada (2013). "Percentage of total income received by income group and province, 2010 and 2011." December 9. Note that this figure does not include capital gains, which provide significant income to one-per-centers. See Stanford, Jim (2013). "Capital Gains and the Incomes of the Wealthy." *Progressive Economics Forum*, December 10.

⁹ Carmichael, Kevin, Richard Blackwell and Greg Keenan (2013). "Free up 'dead money,' Carney exhorts corporate Canada." *The Globe and Mail*, Aug. 23.

¹⁰ For more information on tax fairness options, see Ontario Public Service Employees Union (2013). *The Shock Doctrine Comes to Ontario: overview of the 2012-13 provincial budget*, p. 6. Available at <http://www.opseu.org/notices/Budgetreport.pdf>.

¹¹ See Mackenzie, Hugh (2010). *Deficit Mania in Perspective*. Ottawa: Canadian Centre for Policy Alternatives, 4. Updated by author November 2013.

¹² Sousa, Charles (2013). *A Prosperous and Fair Ontario: 2013 Ontario Budget*. Toronto: Queen's Printer for Ontario, p. 107.

¹³ Bakery, Confectionery, Tobacco Workers and Grain Millers International Union (2013). "Kellogg workers locked out in Memphis, Tennessee." *BCTGM News*, Vol. 15, No. 6, November-December, p. 3.

¹⁴ Robinson, Randy (1990). "Colonizing Canada: A Year and a Half of Free Trade." *Multinational Monitor*, Vol. 11, No. 5, May.

¹⁵ Organisation for Economic Cooperation and Development (2013). "PPPs and Exchange Rates." *OECD StatExtracts*.

¹⁶ For more on the correct value of the Canadian dollar, and how policy-makers could achieve it, see Spiro, Peter (2013). *More Stability, Please: A New Policy Approach to Canada's Exchange Rate*. Toronto: University of Toronto, Mowat Centre.

¹⁷ Curren, Don (2013). "Canadian Dollar Slumps After BOC's Dovish Policy Statement." *The Wall Street Journal*, December 4. Web edition: <http://online.wsj.com/article/BT-CO-20131204-711031.html>.

¹⁸ Source: CANSIM table 183-0002.

¹⁹ Source: CANSIM Table 282-0089.

²⁰ Source: CANSIM 183-0002.

²¹ Source: CANSIM 281-0024.

²² Source: CANSIM 183-0002.

²³ Unifor (2013). "Canada needs unions in order to prosper: Hugh Segal." News release, December 7.

²⁴ Janson, Rick (2013). "John Tory says PC 'right-to-work' policy scaring voters." *OPSEU Diablogue*, September 20.

²⁵ Kouvalis, Nick (2013). "'Right to work' law won't fly with middle class." *Inside Queen's Park*, November 13.

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