



INFORMATION REPORT

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: March 20, 2013	
SUBJECT/REPORT NO: Interest Arbitration/Ability to Pay Update (HUR13004) (City Wide)	
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SIGNATURE:	

Council Direction:

N/A

Information:

On February 19th, 2013, the Ontario Legislative Assembly opened its new session with a Throne Speech delivered by Lieutenant Governor David Onley on behalf of Premier Kathleen Wynne's new government. The speech addressed a number of matters including the new government's pledge "to build a sustainable model of wage negotiation that is respectful of both collective bargaining and a fair, transparent process for interest arbitration in Ontario." This was particularly encouraging news in light of AMO's recently released Interest Arbitration checklist attached as Appendix A to Report HUR13004, for an accountable and transparent interest arbitration system that takes the fiscal and economic circumstances of a municipality as priority when assessing total rewards through the Interest Arbitration process.

While the Interest Arbitration system is intended to consider local fiscal restraints, the current system emphasizes replicating agreements from other communities, including large urban centres with arguably greater financial capacity to absorb such financial impacts. This essentially means that local circumstances appear to be ignored, thereby resulting in awards that do not fairly address the interests of the local economy.

Interest Arbitration is the only legal way to settle contract negotiations disputes with sectors deemed as essential services, such as police, fire fighters, nurses, and most Paramedics, who are not allowed to strike. Consequently, municipalities are frustrated with the apparent priority that Interest Arbitrators have given such sectors, with awards that essentially replicate compensation packages from one community to another with little or no consideration to local fiscal considerations. In addition, the length of the process can be long, sometimes taking years before a decision is made. These delays often times lead to financial pressures that are historical and problematic, particularly if municipalities did not accrue for such inevitability.

The AMO Board has been working on finding measures that are practical, workable and financially responsible while ensuring political will. The Interest Arbitration Checklist sets out the measures that would make the system more efficient, accountable and transparent. AMO's legislative check list includes:

- Streamlining the process and creating a 12-month timeline for completion
- Clear, measurable criteria for evaluating the fiscal health of a community
- Requiring that Arbitrators give priority to and provide clear, written explanation of how the fiscal health of a community was considered

Currently, accountability and transparency do not appear to exist and local community economic and fiscal considerations seem to carry little or no weight throughout the Interest Arbitration process. AMO has declared that "Interest Arbitrators who decide wages for essential service workers – one of the largest components of a municipal government's operational costs need to be guided by fiscal health criteria and be able to explain their decisions. We are not asking for massive change but rather a system that is more than simply replicating pay raises and benefit packages from community to community and sector to sector."

AMO continues to advocate on behalf of the municipal sector for legislative changes aimed at improving the arbitration system through improved efficiency, accountability and transparency. Until such time as the Ontario Government makes fundamental changes to legislation mandating Arbitrators to consider ability to pay arguments from municipalities, municipal leaders will continue to advocate for such changes until we have a legal system that provides for greater financial consideration to the local economy for municipalities across Ontario.

Interest Arbitration Checklist

Legislation to improve the current interest arbitration system should:



Improve **Efficiency** by requiring:

- ✓ A time limit for a binding pre-hearing process
- ✓ A decision no later than 12 months from the start of the arbitration process
- ✓ A single arbitrator model for all interest arbitration, rather than a three-member panel
- ✓ Limits to submissions after the hearing, which prolong the process
- ✓ Written reasons for the award which provide a clearer explanation for how the financial health of the community criteria were considered and applied in reaching a decision



Improve **Accountability & Transparency** by directing arbitrators to consider:

- ✓ The fiscal health of the community based on clear, measurable criteria
- ✓ 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 directive that places financial limitations on employer



Better define a municipality's capacity to pay based on **Fiscal Health** indicators, such as:

- ✓ Total property tax assessment
- ✓ 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

***Produced with the assistance of the Emergency Services Steering Committee**