



Labour Reforms in Ontario

**Mike Harris before the Montreal Economic Institute
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Un grand merci pour cette belle introduction. Et merci de m'avoir invité à vous adresser la parole.

Thank you.

The last time I spoke to the Montreal Economic Institute was in 2002.

Believe it or not, at the time I was considering a bid for the leadership of what I hoped would be a single united conservative party nationally.

I had come to speak and share my thoughts on the need to challenge the status quo thinking of our national leadership.

I believed our leadership was preventing Canada from charting a course to compete in the emerging global economy, and to win and create opportunity, wealth, and a better life for us all.

Well, a strong national Conservative Party materialized and has gone on to lead our country in some very challenging times.

But I decided, quite correctly for me personally, to bow out of politics federally before I ever got started, and I find myself back here today with absolutely no thoughts of returning to politics and content knowing that change has begun in Ottawa.

But despite saying goodbye to politics a decade ago, my commitment to public policy and my interest in seeing a stronger Canada – where we chart a world-leading course of innovation and job creation – has not waned.

My visit in 2002 to the MEI in Montreal was part of a country-wide speaking tour, from Halifax with The Atlantic Institute – to Winnipeg with The Frontier Institute – to Calgary and Vancouver with The Fraser Institute.

Following that tour, I decided to put elected politics behind me to join the Fraser Institute as a Senior Fellow.

This led me to co-author and promote the “Canada Strong and Free” series of papers and book which, by the way, the Montreal Economic Institute helped us to publish in French.

This series promoted the principles of transparency, competitive markets, and the balance of public spending for quality public services and the affordability of those services by the private sector which, in turn, needed to thrive and grow in order to provide the jobs and tax base to afford those services.

So when Michel Kelly Gagnon asked me to speak to you today, I was happy to be able to participate again in the public policy dialogue in which the Montreal Economic Institute engages.

As a Senior Fellow of the Fraser Institute, I am a supporter of the Montreal Economic Institute and a friend and a fan of Michel’s and the work you are doing to help educate the public to help bring to light a number of important issues, to inspire a business climate of prosperity in “la belle province” which will ultimately lead to more jobs and a higher standard of living for all Quebecers.

When Michel called to invite me, he did so because he thought I might be able to provide some insight into the current Quebec labour discussions by outlining what we did in Ontario.

I am not an expert on Quebec labour laws but I can tell you what changes we brought to Ontario and how they helped our Province grow and prosper.

The MEI has played a pre-eminent role in bringing labour issues to light and clearly you are achieving success in encouraging and supporting the Quebec government to move forward.

Let me also congratulate the current administration for introducing Bill 33 that proposes to change the hiring process in the construction sector and to impose more financial transparency from those unions.

This is positive action and in line with your last research paper on union transparency. So, congratulations to both the MEI and to the current Quebec government.

These changes are not easy nor without controversy – as Premier Charest and Minister Thériault can attest – but they are positive moves for the Quebec economy and deserve to be supported.

Now, if there is one thing I learned in my three decades in politics, it is that no two jurisdictions, no two periods in political history and no two political environs are ever exactly the same.

But that doesn't mean that there aren't instructive lessons that can be learned from one situation and applied to another.

Or that the notion of limiting the role government has a "best before date."

Or that former politicians can ever "help themselves" when they have an opportunity to speak about their time in public life.

So I welcome this chance to chat a little about the challenges we faced in 1995 and the plan we put in place to deal with them.

I will elaborate on the labour reforms we brought forward as an integral part of that plan. And finally, I'll leave you with a couple of thoughts on the situation in Ontario today as I see it.

To prove my point about how different two situations can be, imagine this – when I became Premier of Ontario in 1995, Bob Rae was... a New Democrat.

And he had been named Businessman of the Year on billboards all around Toronto. Unfortunately, it was by the city of Buffalo, New York for all the investment dollars and jobs he had sent south of the border.

In 1995, Ontario was in desperate need of a course correction. The annual deficit at the time was \$11 billion – a figure that was astronomical in its day.

We had the highest per capita number of citizens on the welfare rolls. Our tax rates, our regulatory regime and our labour laws were driving jobs and investment dollars out of our province in record numbers.

And the size and cost of our civil service had ballooned to a point that was unsustainable.

How had this happened? Well, in the previous ten years, government spending had grown by just under 100%. To feed this spending, tax rates were increased some 65 times.

But that wasn't enough...borrowing and deficits, which are really future tax increases, were out of control too, to feed the out of control spending.

In his first few years in office, Bob Rae increased the province's debt by 114%. Interest payments on the debt were 185% higher in 1995 than they were a decade previously.

Sounds very Greece-like, doesn't it?

Ontario needed a comprehensive agenda for change before we reached rock-bottom.

So, we approached the election of 1995 with a plan not just to win the election but to actually govern. A novel thought at the time....

We knew that if we won, we needed to act quickly and decisively and that we needed a mandate to get the job done.

We developed the 'Common Sense Revolution' based on a simple perspective: Prosperity, jobs and sustainable government services all depend on a cooperative environment that encourages "private-sector job creation" and new "private-sector investment."

We believed, as I continue to believe today, that there was a fundamental difference between public and private sector jobs and therefore, the role of government in creating jobs.

Public Sector jobs do not create wealth. They redistribute existing wealth. They are necessary for all the public services we need or desire.

But if those services are not delivered as efficiently as possible, with as few civil servants as possible, this excessive drain on government finances results in higher taxes and/ or higher debts and deficits.

This, in turn, further erodes the private sector's ability to create "new wealth" through new private-sector jobs.

Quite simply, private sector jobs create revenue for government and public sector jobs cost government revenues.

When the two are out of balance – when there is too much cost in the public sector – then prosperity is threatened.

And so the "Common Sense Revolution" was developed and became our Five Point Plan for prosperity:

1. CUT PROVINCIAL INCOME TAXES. Putting more money in the pockets of Ontario families was going to create far more jobs than government spending ever could... or should.

2. CUT GOVERNMENT SPENDING. We exempted healthcare, law enforcement and classroom education from our reduction plan. But everything else was on the table.

3. CUT GOVERNMENT BARRIERS TO JOB CREATION, INVESTMENT AND ECONOMIC GROWTH. We knew that we needed to send a signal that Ontario was open for business. To do this, we committed to a number of things:

- abolishing a punishing payroll tax that had been placed on small businesses.
- We set up a red tape commission to reduce the regulatory burden that was hurting business investment.
- We froze hydro rates, cut workers compensation premiums, worked to end inter-provincial trade barriers and – as I'll discuss in a bit more detail in a few moments – we repealed the NDP government's job-killing labour legislation known at the time as "Bill 40."
- As an aside, scrapping Bill 40 had become something of a rallying point for our campaign – though few thought we'd actually do it.

4. CUT THE SIZE OF GOVERNMENT. We started with ourselves, reducing the number of elected politicians in the Legislature from 130 to 99.

5. BALANCE THE BUDGET. We set a four year target, with a commitment to begin paying down debt and further cutting taxes once we met our goal.

In June 1995, we were elected with a comfortable majority and immediately began to implement our plan.

In fact, within six weeks of taking office, we announced \$2 billion worth of immediate in-year spending reductions.

We cut taxes in our first budget.

We made a number of changes to the leadership of the civil service and the many bodies that have a direct impact on businesses in Ontario including the Ontario Labour Relations Board and the Workers Compensation Board.

When the Legislature resumed in the Fall, we immediately introduced our Bill 7 to overhaul the province's labour legislation just as we had promised to do.

Until the early 1990's when the NDP took power, Ontario had seen a gradual evolution of its labour laws that had struck a careful balance between the legitimate rights of employees, trade unions and employers. It wasn't perfect, but it was workable.

The goal of unions is more members plus more dues equal more money for them. The goal of corporations is to be competitive, to grow, to create more jobs and more profits.

When these goals are aligned, much can be accomplished in productivity and ultimately lead to a more prosperous society.

The NDP's approach to labour law drastically upset that balance, replacing it with uncertainty and tension between labour and management and driving jobs out of our province.

Ontario was no longer an attractive place to do business and when job creators had the luxury of investing elsewhere – they did.

Our package of labour reforms consisted of five key components.

First, we repealed Bill 40 in its entirety. This sent a strong and much needed signal to Ontario companies and investors, to competing jurisdictions and, indeed, the world that Ontario "was once again open for business."

It was also the first time in Ontario's history that labour legislation was repealed!!!

In fact, it was just over 4 months from the time that we were elected until we had introduced AND PASSED our new legislation.

Moving quickly and decisively was also important to our ultimate success as we became known as a government that would actually do what it said it would do – a concept that at the time was sorely lacking in Canadian politics.

Second, we sought to empower individual workers by ensuring the democratic right to a secret ballot vote prior to certification, contract ratification, or strikes.

Each individual had the democratic right to vote on whether or not they want to be represented by a trade union and, if so, by which union.

This, in my view, is the most important part of our reform. It fundamentally altered the balance away from union bosses and toward individual workers.

Third, our labour law reforms also included the repeal of the NDP government's *Agricultural Labour Relations Act*. We believed that unionization of the family farm had no place in Ontario's key agricultural sector.

We also made several amendments to our *Crown Employees Collective Bargaining Act* to increase the Government's flexibility as an employer, including a crown exemption from successor rights.

Major restructuring of the civil service was needed to achieve a balanced budget and to ensure the province's financial and economic success. We could not afford to undertake the changes that were needed without addressing the handcuffs of successor rights.

And the final component of our package was the reform of the previous government's employee wage protection program. Even after our reforms, we continued to have the most generous program in Canada.

Our plan ultimately saw the private sector create nearly a million net new jobs during our time in office. We successfully implemented each of our Five Key parts of the Common Sense Revolution and moved from an \$11 billion deficit to a \$3 billion surplus in 2002, when I left office.

It was not easy but it was worth it. The public sector unions fought us every step of the way and continue to this day to work actively against Ontario's Progressive Conservative Party.

Now don't get me wrong, I am not opposed to unions. As Chairman of Magna International, I am a supporter of the Framework for Fairness Agreement we signed with the Auto Workers union.

It facilitated the opportunity for our employees to join the Canadian Auto Workers Union, provided they wished to do so and agreed to do so in a secret ballot vote.

It also aligned the interests of company, shareholders, managers and employees on mutual goals that benefited all parties.

The Framework for Fairness ensures labour peace – friendly and timely grievance resolution and fair wages and profits based on prevailing wage rates in the markets in which we operate.

So it is getting the right balance in labour legislation and goal alignment in labour negotiations that is the key to success.

Unfortunately in the last few years the labour legislation pendulum has swung back in Ontario – perhaps not to the degree it did under the NDP in the early 1990's, but none-the-less the balance we had achieved has swung again in favour of union leaders.

Part of the reason is that the current Liberal government today owes much of its electoral success to the support of Ontario's union leadership.

In the last campaign, the Ontario PC Party once again ran on a platform that included labour reforms that would protect individual workers.

Specifically, the Tim Hudak-led Conservatives called for pay cheque protection that would allow individual union members to opt out of paying dues toward political causes that they don't support.

They also called for greater transparency and openness of financial records for unions.

Interestingly, both private and public sector unions in Ontario themselves highlighted the need for these reforms through their actions.

Last July, the Ontario English Catholic Teachers Association levied a special \$60 fee on all members to spend and work against PC candidates in the recent election.

And, as they had done in the two previous provincial elections, a coalition of private and public sector unions joined forces to mount an aggressive and well funded ad campaign against the PC Party without any public accountability around their spending nor any oversight on the part of Elections Ontario, the body that oversees elections and election financing in Ontario.

Not surprisingly, and unfortunately, the results of that election were not what we had hoped.

While the current McGuinty government was reduced to a slim minority, it is still in power.

And, it owes a significant debt for their election to Ontario unions, and today Ontario is again trailing the country in job creation and is dragging the rest of the country down.

The size of government under the McGuinty Liberals has grown by 80% over the same period of time as the private sector grew by just 8%.

Since taking office, they have doubled the size of Ontario's debt.

Those of us who consider ourselves to be conservatives know that striking the right balance between government and the private sector is fundamental to the economic prosperity of any jurisdiction.

As I said at the outset, prosperity depends on a cooperative environment that encourages private sector job creation and new investment.

If the size and cost of government is too big for the private-sector tax base to sustain it, we lose jobs. If supporting debt and deficit is draining government resources, we lose jobs.

And if the regulatory and legislative climate of a jurisdiction works against the private sector's innovative efforts, we lose jobs and investment to other jurisdictions.

No government or jurisdiction should ever take that balance for granted.

There are those who might snicker at the notion that Mike Harris has just delivered a speech whose key theme is "balance." The CBC and Toronto Star likely never ran a story about my "balanced approach" to government.

But the reality of our plan, and I believe the reality of good government, is all about balance.

Government is a fundamental part of any truly prosperous society – as long as it operates as efficiently as possible, spends within its means, and allows the private sector to do what it does best... create wealth and create jobs.

So thank you for inviting me today. Thank you for your attention.

And most importantly, thank you for the contribution the Montreal Economic Institute makes each and everyday to strengthening and growing this great country we all call home.

Merci beaucoup et continuez votre beau travail!