

**REMARKS TO BROADER PUBLIC SECTOR PARTNERS
ON COMPENSATION**

BY

**DWIGHT DUNCAN
MINISTER OF FINANCE**

July 20, 2010

Toronto, ON

Approximate speaking time: 12 minutes

Check against delivery

Thank you for coming here today, particularly on relatively short notice.

Those who deliver public services to Ontario perform a vital job, contributing to the health and well-being of this province.

I'm very pleased to have this opportunity to speak to you, the people who play such important roles in this service delivery.

I want to speak with you directly today about public sector compensation – a key component of the government's plan to manage expenditures and sustain public services.

As partners in the delivery of public services, we have come far together over the past several years.

When we took office in 2003, the public had given us a clear message to improve public services and improve the quality of life for Ontarians.

That's why we hired teachers and lowered class sizes.

And now test scores have been improving and 16,500 more students are graduating each year.

We supported the creation of over 10,000 new nursing positions and increased the number of doctors by 2,295.

And that's why over 900,000 more Ontarians have access to a doctor.

When we took office, we knew there was only one way to restore our public services: by working collaboratively with our public servants.

We strive to make Ontario a better place and can only do so with members of the public service – our true partners.

For the first few years of our time in office, we were fortunate to be in a period of sustained economic growth.

So we grew strategically: growth in spending on programs and services did not exceed growth in revenues.

The average annual increases in wage settlements for the public sector were consistently higher than that of the private sector.

When the global recession occurred, Ontario was hit particularly hard.

Real GDP declined by 4.7 per cent.

Government taxation revenues fell 12.2 per cent.

Despite these significant declines, the McGuinty government chose to protect what mattered most to Ontarians: education, health care and other public services.

I travel across this province regularly, and I know full well that the public sector is the major employer in many communities.

Protecting jobs in key services helps ensure that local economies continue to survive.

Teachers, nurses and other public sector workers support their communities' restaurants stores and daycares, keeping even more jobs viable.

We did not – and we will not – put job creation and economic growth at risk. Nor will we put at risk the public services that Ontarians expect and deserve.

In March, I introduced our 2010 Budget that outlines our plan for reducing and then eliminating the deficit in eight years.

Difficult choices must be made in order to balance the budget by 2017-18 and when factoring in added interest on debt payments to finance deficits, program expense growth from 2009-10 onward must be held to less than 2 per cent annually.

Yet the demand for public services will continue to grow over the medium term.

Health sector spending growth is projected to average 4.4 per cent from 2009-10 to 2012-13.

Education sector spending growth is projected to average 3.7 per cent.

That growth in demand must be accommodated within the existing fiscal plan.

Preserving and maintaining service and accommodating expected growth in a few priority areas will be all Ontario can afford.

Planned program spending does not include any incremental increases to compensation.

Ontario is not alone.

Other governments around the world are faced with similar budgetary challenges.

Many have chosen the path of slashing public services and laying off thousands of workers.

California slashed funding to universities, increased class sizes, reduced health care coverage for the state's poorest citizens, and closed state offices three days a month -- a 14 per cent pay cut for more than 200,000 state workers.

New York State proposed unpaid days off for about half of its state employees, a move later blocked by court injunction.

They also proposed cutting school funding by \$1.4 billion.

And these are the Democrat's proposals.

We've seen similar proposals for swift and significant cuts to public services and public-sector wages in Europe, as Ireland, the UK, Greece, Spain, and others move to get their fiscal houses in order.

Here in Ontario, we have decided to go down a different path, with the launch of the five-year Open Ontario Plan to strengthen our economy and create more jobs for our families.

This plan includes ongoing investments in public education, health care, skills training, infrastructure, clean energy and clean water technology jobs, and other key public services.

We also know that we cannot preserve and enhance public services without a plan to manage the deficit.

And we can't manage the deficit without addressing what is the single biggest line in our budget -- public-sector compensation.

The simple fact is this: 55 per cent -- or more than \$50 billion -- of all government program expenses go to compensation, either directly or through transfers.

The 2010 Budget lays out the government's plan for managing compensation expense for both bargained and non-bargained workers.

We introduced legislation to freeze compensation structures of non-bargained employees for two years.

Elected officials are leading by example, as we extended the freeze on MPP salaries from one to three years, and froze the compensation structures for non-bargained political and legislative staff.

These moves will help redirect up to \$750 million toward sustaining schools, hospitals and other public services.

For employees who bargain collectively, we chose a path that would respect all current collective agreements.

However, Ontarians expect us to live within our means.

Ontario families have done their part.

They have struggled through layoffs and unemployment.

They have seen their salaries frozen and counted themselves lucky just to have a job.

It's time for us to do our part.

In my hometown of Windsor, we were hit first and hard.

Everybody has someone in their family or a neighbour who has struggled with job loss.

None of us can afford incremental compensation increases until we return to firmer financial and economic ground.

Protecting jobs and services while eliminating the deficit must remain our highest priority.

As agreements are negotiated, we will work with you – our partners – to seek agreements of at least two years' duration that provide no net increase in compensation.

It doesn't matter whether contracts expire next month, next year or the year after that – all employers and employee groups need to do their part.

We already have seen some successes in negotiating contracts within this framework.

We want to create a dialogue with you, so that new contracts that are agreeable to everyone can be negotiated as existing contracts expire.

All talks will involve, as always, a respectful dialogue.

We welcome your views, opinions and proposals on how we can come together to reach agreements that are acceptable to everyone, including the taxpayers we all serve, given the current fiscal realities.

My purpose in inviting you here today is to launch a productive, constructive consultation as you all sit down to conduct your detailed negotiations.

If you are already at the bargaining table I encourage you to agree to pause...

And I also hope you will agree that interest arbitrations will be put on hold... to allow this consultation to bear fruit.

After today and moving forward, government officials will follow up with you to pursue further, more detailed consultations.

I look forward to hearing the results of those consultations, as well as of today's conversation, and want to assure you that we are approaching this exercise with an open mind.

We all have the same goals: to preserve and enhance public services while creating jobs and economic growth.

Ontarians expect much from all of us.

They expect us to provide support for their education, health, businesses and families.

We are asking for your help, because we know we can achieve so much more by working with you, based on a relationship of mutual trust and respect.

Together, we will grow the economy, create new jobs, attract new investments and eliminate the provincial deficit.

Thank you for the commitment to Ontarians that you have made – and that you renew every day by doing your work.

Your efforts pay dividends for every single resident of the province both today and in the future.

Together, we are building a stronger, more prosperous Ontario.

Thank you.