

2017

# Pre-Budget Submission

TO THE STANDING COMMITTEE  
ON FINANCE AND ECONOMIC AFFAIRS

AMAPCEO

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ONTARIO'S PROFESSIONAL EMPLOYEES

AMAPCEO's 2017 pre-budget consultation submission focusses on three specific recommendations:

- 1** The government must end its policy of wage restraint in the public sector
- 2** The government must work to increase revenue
- 3** The government must minimize—and produce transparent reports concerning—the use of consultants throughout the public service, but most pressingly in Information Technology

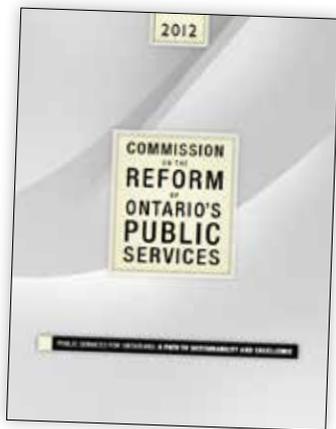
Looking back at 2016, although the Budget continued to place financial strain on public services, it did contain glimmers of light, such as the pledge to invest in post-secondary education and needed measures to put a price on carbon. But that Budget also contained several problematic elements such as the sale of Hydro One and the government's continuing fixation on maintaining a low corporate tax rate.

While the Budget suggested that the government would continue its commitment to “net-zero” compensation increases, AMAPCEO was heartened that the government formally ended this policy later in the year. Indeed, the government's subsequent move to provide managerial and excluded staff with large wage increases may well indicate that the government's punitive approach to collective bargaining is behind us.

## RECOMMENDATION

# 1 The government must end its policy of wage restraint in the public sector

Back in 2012, the government led by Dalton McGuinty received the report of the Commission on the Reform of Ontario's Public Services, otherwise known as the Drummond Report. Both that government and its successor strove to implement the majority of the report's recommendations. There were certain areas, though, in which the government chose to disagree with the report's conclusions. For instance:



“Labour compensation is but one consideration of labour relations. Ultimately, the goal is to have a highly competent public service working at a high level of productivity, delivering excellent public services. Tactics geared towards short-term fiscal gains such as wage freezes and limits on the number of civil servants should be avoided. Wage freezes damage labour relations and are often followed by wage catch-ups.”

Drummond Report, page 52

The government ignored this advice, instead choosing to pursue a course of wage freezes for its employees. In doing so, the government brought true the first part of the Drummond Report's warning: labour relations were damaged, as indicated by both AMAPCEO and OPSEU holding strike votes for their OPS members in their last bargaining rounds. Notably, each of those

votes passed with greater than 90% support, an unprecedented level of labour discord within the OPS.

The second part of the Drummond Report’s warning—that wage freezes tend to be followed by wage catch-ups—is easy to understand: in order to attract competent employees, an employer needs to offer an attractive wage.

*In order to attract competent employees, an employer needs to offer an attractive wage*

Inflation perniciously works to erode frozen wages. Eventually, suitable compensation for a position will not be on offer. What then results is a “prevalence of a sentiment” amongst the workforce that one’s “work is not being properly recognized and rewarded,” which leads to recruitment and retention difficulties.

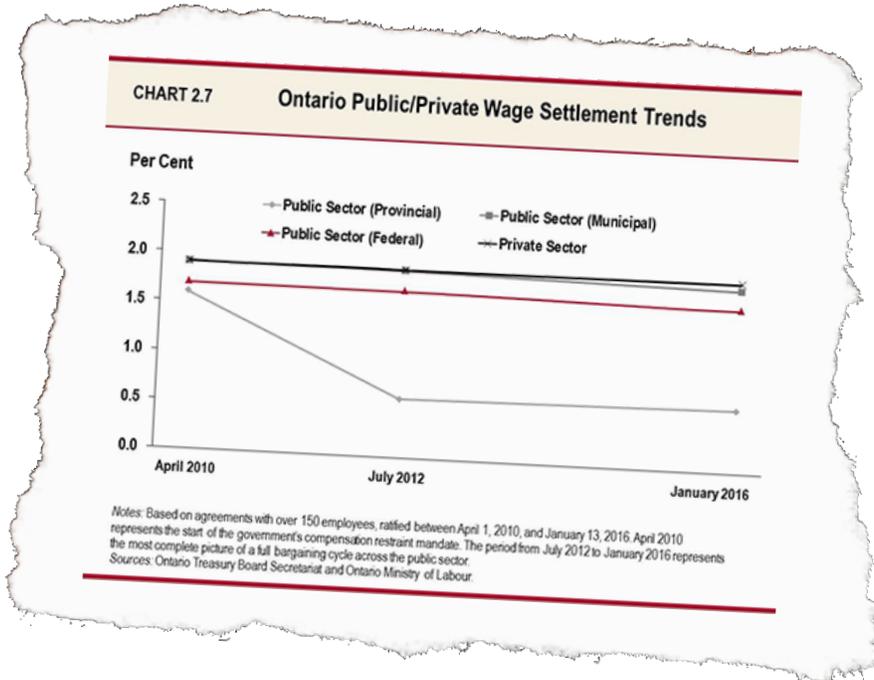
The above quote is taken from a report by Don Drummond. Not the Drummond of 2012—in which the author warned of what would happen in the event of a wage freeze—but the Drummond Report of 2016. Four years after his first effort, the government again retained Drummond, this time to describe the results of the wage freeze (the results matched what he had predicted in 2012) and to offer ideas for repairing the wage structure for excluded staff.

One of Drummond’s recommendations was wage increases, and although the government has not indicated acceptance of very many of the latest Drummond Report’s recommendations, on this matter the government moved ahead in November of last year. Though the wage freeze on excluded staff did save the government a certain amount of money between 2011 and 2016, it’s important to note that the increases announced in November remove the long-term impact of the wage freeze. Statistics Canada has inflation, as measured by the CPI for Ontario, running at 6.08% over the 2011-15 period. Over that same period, after the increases announced in November, managerial/excluded salaries will increase by 6.4%.

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AMAPCEO does not wish to sound a critical note on these salary increases. We

would, however, like to point the government back to its own Chart 2.7 from the 2016 Budget papers:



What we see here is the government trumpeting how poorly it compensates its employees.

In order to maintain the OPS's status as an "employer of choice" it's simply a fact that as salaries fall against the market, there will have to be a rebound in the future for all salaries and wage scales throughout the organization.

RECOMMENDATION

**2 The government must work to increase revenue**

It’s become a common place view that Ontario has a revenue problem, not a spending problem. This is evinced by the fact that deficits are continually being posted in a jurisdiction that brags of having the country’s lowest cost government on a per capita basis.

Although the government remains wedded to low-tax regime, it is presumably cognizant of the challenges on the revenue side of the ledger. How else

**Ontario has a revenue problem, not a spending problem**

to explain misguided policies such as the privatization of Hydro One? With that policy, the government is looking for a short-term revenue injection in an effort to balance the immediate budget, at a cost of a “resulting drop in provincial revenue [that] will

make it more challenging to meet budgets in future years.”<sup>1</sup>

While AMAPCEO does not advocate for any particular revenue tool, we would like to underline that revenue tools, in the form of increased taxes, must be on the table. In its quest to balance the budget, the government must broaden its approach from one focused on austerity and the sale of valuable assets towards a more sensible approach in which meaningful revenue boosts are on the table.

**Revenue tools must be on the table**

<sup>1</sup> Michael Trebilcock and Duncan Melville, “Ontario’s bizarre ‘privatization’ plan for Hydro One,” *National Post*, 25 March 2015 <<http://news.nationalpost.com/full-comment/trebilcock-melville-ontarios-bizarre-privatization-plan-for-hydro-one>>

## RECOMMENDATION

3

### **The government must minimize—and produce transparent reports concerning—the use of consultants throughout the public service, but most pressingly in Information Technology**

The history of information technology in the OPS has been one of overreliance on the use of external consultants.

However, the track record on IT programs and projects demonstrates that there is better value and outcomes when IT is delivered in-house by using public servants. There are two main reasons for this:

1. Public servants are more cost-effective than consultants in terms of their daily rates. Consultant rates can easily double or triple the cost of doing the work with public servants.
2. IT programs and projects have better outcomes when delivered by public servants, instead of by consultants.

The outcomes improve when public servants are used simply because of the gains in organizational knowledge retention. The use of external consultants can lead to costly knowledge gaps down the road in terms of maintaining and improving the systems developed. To avoid this major—and potentially costly—problem, it is crucial to have in-house capacity and knowledge.

***Public servants are more cost-effective than consultants***

Moreover, we hear from our members who work in IT that external consultants tend to have difficulty understanding the business needs of government users due to the complexity of the business, legislative, and privacy requirements inherent in government. Consequently, external consultants require extra time to learn these processes; that extra time pushes up costs even more. Simply put, programs and projects work better with specialized in-house IT workers who are familiar with the business needs of government.

***External consultants have difficulty understanding the business needs of government users. This pushes costs up even more.***

Why then are consultants used so often throughout government? This is not a problem exclusive to IT. The answer is that consultants are often used a substitute for full-time employees (FTE) due to mandated limits on staff numbers. Managers are driven to use consultants, not due to the need for short-term

***The government has created negative incentives for managers to use IT consultants when they're not otherwise required***

specialized skills, but due to the need to live within the Ministry FTE limits. The FTE limits create negative incentives for managers to use IT consultants when they are not otherwise required. It's well known that so called FTE limits are a charade which are routinely circumvented through hiring consultants. The end result of this being no difference in the actual number of people working on

a given project, but increased staffing costs over what FTEs would cost given the premium consultants are paid.

In terms of transparency, AMAPCEO believes that the Government of Ontario could follow the lead of the federal government, which proactively discloses contracts valued at over \$10,000. The disclosed contracts are searchable online by organization, broken down into quarterly reports. Each disclosed contract includes details such as the vendor name, the contract date, a description of the contract, the value of the contract, and the contract period.

***AMAPCEO believes the Government of Ontario should proactively disclose contracts valued at over \$10,000***

For example, see this screen capture of a contract between Excel Human Resources and the Ministry of Innovation, Science, and Economic Development:



There we can see that the contract, valued at \$85,804 was for “Programmer Analyst” work. Although more information would surely be better than what is provided here, this level of detail is light-years beyond that which the Government of Ontario offers publicly.

***Let the sunshine in and be transparent about where the money is going***

Recall Justice Brandeis’s adage that “Sunshine is said to be the best of disinfectants; electric light is the most efficient policeman.”

The most efficient way to police the Ontario government’s use of consultants is simply to let the sunshine in and to be transparent about where the money is going.

# AMAPCEO

ONTARIO'S PROFESSIONAL EMPLOYEES

With more than 13,250 members, AMAPCEO is the second-largest union representing professional employees in the Ontario Public Service. We also represent professionals in six public sector agencies.

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