



New rules needed to level public sector playing field

Workers' leverage has translated into a growing wage gap with the private sector

July 28, 2009

MICHAEL WARREN

Notwithstanding yesterday's tentative settlement, this summer's five-week strike by municipal workers in Toronto has been yet another illustration of the need to change the way we resolve labour disputes in the public sector.



RICHARD LAUTENS/TORONTO STAR FILE PHOTO

A growing pile of garbage bags on Markham Street illustrated the power of public sector workers. When they go on strike, no one else can provide alternative services, which puts pressure on employers to settle.

Economic warfare is the traditional avenue of final resolution in Canadian labour-management relations.

Workers can withdraw their services to pressure employers. Employers can lock workers out and try to deliver some semblance of their service or product without them. It is a battle to see who can inflict the greatest economic pain on the other party.

While sometimes wasteful, it seems to work reasonably well in the private sector. However, when quasi-essential public sector workers go on strike they often have disproportionate power over their employers – and over the taxpayers who ultimately have to foot the bill.

If the Teamsters close down a shipping company you have the option of sending your goods by another carrier. But if your garbage collection is controlled by a civic union and there are no alternative services, the economic power of these

workers is increased significantly.

This disproportionate leverage has been partly responsible for the growing gap between public and private sector compensation in Canada. A recent study that compared federal government and private sector salaries for the same jobs found that federal employees earned 17.3 per cent more on average. The same study revealed that City of Toronto workers are paid 11.6 per cent more than their private sector counterparts.

These results were published by the Canadian Federation of Independent Business using 2006 census data. Not surprisingly, several union leaders dismissed the findings out of hand. They did not offer any conflicting analysis.

The pension picture is even more disturbing. It is estimated that about 80 per cent of government workers in Canada have pension plans that guarantee them fixed payouts for the duration of their retirement. Less than 25 per cent of those in the private sector enjoy pensions that are funded by their employers.

Up until the 1990s, government employee compensation generally lagged behind that of the private sector. But over the last two decades they have used their headlock on the public and the politicians who employ them to dramatically eclipse the compensation of their private counterparts.

However, new economic realities have led to the setting of an important precedent. Ottawa and Queen's Park forced the auto workers to make major compensation concessions before either government would even consider rescuing GM or Chrysler with billions of dollars in taxpayer money. The auto workers have reluctantly agreed to reduce their compensation to about the same level as those doing the same jobs in foreign-owned car companies in Canada.

If equal pay for equal work is an essential element in the strategy to save our auto industry, isn't it just as applicable to the fiscal future of our governments?

The question is, "How do we respect the right to strike for government workers, while at the same time begin to close this unsustainable and unwarranted compensation gap?"

When the broader public interest finally moves a legislature or Parliament to legislate public sector employees back to work, the process includes the appointment of an arbitrator with the power to settle all the outstanding issues. But this, too, can contribute to the growing compensation gap.

Arbitrators are usually reluctant to roll back any gains that have been won in previous agreements between the parties – even if it might be warranted. And they too often yield to the argument that a bus driver in Moose Jaw should be paid the same wage as one in Toronto. Unions argue that they both do the same job, so why not the same pay?

Arbitrators are pushed by unions to consider the contents of the most recent and

Ads by Google

Personal Injury Lawyers

highest relevant collective agreement as the basis for their findings. The result can be the stacking of one high compensation precedent upon another – leading to the escalation of public sector compensation beyond defensible heights.

Two changes might help to bring back public-private, equal pay for equal work.

First, we need more comprehensive and independently developed salary and benefit data on the wide range of comparable jobs that exist in these two sectors. There are bus drivers, garbage collectors, accountants, computer operators, supervisors and hundreds of other jobs that have the same demands and responsibilities in both areas. This data should be regularly updated and made readily available to all arbitrators.

Second, when a legislature or Parliament feels it is necessary, in the broader public interest, to legislate an end to a public sector strike or lockout, the legislation should contain clear instructions to the chosen arbitrator. He or she should be required to consider, first and foremost, the principle of equality of compensation in the public and private sectors for comparable jobs, when determining wages and benefits in their final reports.

Public sector unions facing this equal pay test may be less demanding in the future and more willing to settle their differences at the bargaining table. At the very least, this direction to arbitrators would, over time, help to bring public and private compensation back into a more affordable and equitable balance.

We need government leaders with the political will to tackle this problem. They have already recognized the importance of competitive compensation for the survival of major private sector employers.

Now it is time for these same governments to get serious about closing the costly and indefensible compensation gap that they have allowed to grow up in their own backyards.

Michael Warren is the CEO of the Warren Group and a public policy commentator. He is a former Ontario deputy minister, chief general manager of the Toronto Transit Commission and CEO of Canada Post Corporation.

r.michael.warren@gmail.com