

**Adopting a More Accountable and Transparent Interest Arbitration System
GREATER KITCHENER WATERLOO CHAMBER OF COMMERCE, SARNIA LAMBTON
CHAMBER OF COMMERCE, AND WINDSOR-ESSEX REGIONAL CHAMBER OF COMMERCE**

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Restoring fiscal balance by improving the way government works

ISSUE

Municipalities across Ontario are increasingly challenged by rising costs resulting from arbitrated labour settlements for essential services such as police and fire.

The decisions of arbitrators do not adequately reflect the ability of a municipality to absorb these additional costs, therefore local economic conditions must be considered in all contract disputes.

BACKGROUND

Municipal governments are increasingly frustrated with the current system of arbitration for essential services where the replication of agreements from one community to another assumes priority over the analysis and consideration of local fiscal conditions. Also, the length of time for some decisions to be reached has become excessive, leaving municipalities in vulnerable financial positions as they wait for a ruling.

Both lower and upper-tier municipalities are impacted by this system. In Waterloo Region, police is an upper-tier responsibility while fire is lower-tier.

In February of 2012 noted that Ontario has the highest percentage of Broader Public Sector (BPS) employees in Canada designated as essential. The report further proposes the creation of an independent working group to review current essential designations and advise on those that should continue. With respect to interest arbitration, Drummond observed that significant changes are required to improve timeliness, efficiency and transparency.

In February of 2013, the Association of Municipalities of Ontario, joined by the Large Ontario (MARCO), released a series of proposals for reforming the arbitration system, including:

- streamlining the process and designating a 12-month timeline for completion;
- measurable criteria for evaluating the fiscal health of a community;
- requiring that arbitrators give priority to and provide written explanations on how the fiscal health of a community was considered in their decision.

RECOMMENDATIONS

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Immediately revise the provincial labour arbitration system to correct current inequities and establish methodologies that incorporate municipal capacity to pay for arbitrated settlements;
2. Require arbitrators to consider specific local economic and budgetary conditions such as the tax base, employment rates, municipal debt and average per capita income, and provide written rationale on how decisions were affected by these conditions.
3. Streamline the process and designate a 12 month timeline for completion.

ESTIMATED FINANCIAL IMPACT TO THE PROVINCE

Be cost-neutral to the government.

OCC COMMENTS

This resolution was reviewed by the Finance & Economic Competitiveness Committee. This is an update of a sunset resolution.