

THE ONTARIO SOCIAL CONTRACT: TEXT AND CONTEXT

International comparisons suggest Rae's bid for consensus on cuts is unlikely to succeed

by David Johnson

There are many hard lessons to be learned by parties in parliamentary politics and one of the hardest is that governing is infinitely more difficult than criticizing from the opposition benches. Promises made in the quest for power can wither under the pressures of governing.

Another tough lesson is that governing parties that lack a systematic economic strategy will soon find themselves beset with criticism from all quarters; and the worst solution to this problem is the development of ad hoc economic policies of major proportions.

Ontario's New Democrats are currently learning these lessons as the Rae government launches its initiative to develop a social contract to govern labour relations with its public sector staff.

THE SOCIAL CONTRACT

On March 31, the government announced that due to severe fiscal pressures it was suspending all collective bargaining with its 950,000 employees pending the negotiation of a social contract with these employees. On April 5 the government issued a position paper on this initiative.

In language directly reminiscent of the corporatist language emerging from Western Europe, the government stressed the need for public

sector employees and employers to work together to establish a "consensus among the major stakeholders" for the development of a "comprehensive plan aimed at reducing the costs of public service delivery" while also seeking to "minimize job losses."

The government proposed that social contracts be negotiated throughout the broader public sector. These contracts would address such matters as staffing levels and job eliminations, reductions in compensation, job retraining and new placement programs, early retirement packages, and revised service levels to the public.

SOCIAL CONTRACT PRECONDITIONS

Notwithstanding this discourse of "consensus," "dialogue," "partnership," and "sharing," however, the government has issued a number of

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preconditions to negotiation. There will be program reductions worth some \$4 billion. The government will also seek a three-year wage freeze from all public sector employees while insisting that employees earning more than \$25,000 per year take 12 days of mandatory unpaid leave per year.

Should the unions balk at these preconditions the government has insisted that it may be forced to take

unilateral action that may result in the loss of up to 40,000 jobs.

THE PUBLIC SERVICE REACTION

Not surprisingly, public sector union leaders have reacted with outrage to these proposals, claiming that the government's talk of consensus and cooperation is but cynical rhetoric camouflaging an unprecedented attack against its employees. Union leaderships have claimed that the preconditions, not to mention the government's much publicized concerns over a "skyrocketing" deficit, place the unions in the position of negotiating under a "catch-22" scenario: if they agree to negotiate on the government's terms they will face major staff and compensation reductions; if they refuse to negotiate they will be blamed for the failure of the social contract and will face major staff and compensation reductions.

On May 7, the Public Services Coalition, an umbrella grouping of 28 public sector unions, issued a counter-proposal to the government. In this document the coalition sought to shift the debate by stressing that although deficit reduction is important, the means desired by the government are counter-productive. The coalition has accepted that some \$3 billion could be saved through service efficiencies, but it has stressed that deficit reduction is best achieved through increased taxation, not job cuts. Hence the coalition's endorsement of a \$3 billion tax increase through enhanced corporate, capital, and sales taxes, while stressing that any layoffs will be resisted by the unions.

It is interesting to note that as union leaders assert that the government faces a deficit problem due not to excessive staff complements but to an inadequate taxation process, they are voicing criticisms with a

heritage; a heritage traced to certain scholars on the left as well as to a certain party of the left — namely the NDP — when it has been in opposition.

THE SOCIOECONOMIC CONTEXT

The experience of being in government has certainly chastened the Ontario NDP, leading the party to increasingly stress the importance of debt control, deficit reduction, and the need for a dramatic “downsizing” of the public service. More and more, the rhetoric and policy proposals of the Ontario NDP are converging with those of other Conservative and Liberal governments at both the federal and provincial levels.

All governments are fearful of growing deficits and debts resulting in the loss of expenditure policy capacity as more funds must be earmarked to debt repayment; yet governments are also fearful of increasing individual and corporate taxation rates as a solution to this problem, fearful of the economic and electoral consequences of such increases on a society viewed by many as “tax weary.”

The easiest targets under these conditions, then, are public sector wages and staff complements, followed by social program service levels. The uniform interest shown by governments of diverse political persuasions

in seeking budgetary savings through cutbacks from these fields is striking — so striking in fact that certain members of the federal NDP have attacked the Ontario government for acting in a manner inconsistent with social democratic principles.

THE SOCIAL CONTRACT IN CONTEXT

This brings one back to the concept of the “social contract.” The Rae government is arguing that its approach to public sector restraint is unique in that it is rooted in corporatist ideas having their origins in social democratic policy making as witnessed in Western Europe.

Unfortunately for the Ontario government, this is only a half-truth. Though the social contract concept has corporatist origins in that it seeks to bring labour, management, and government together to establish mutually agreed-upon goals with each party having a “stake” in the decision-making process, the advent of the social contract project in Ontario leaves much to be desired. The existence of rigid preconditions coupled with the threat of drastic unilateral action by the government should these preconditions not be accepted belies the sincerity of the government in seeking a consensual compromise with labour.

Moreover, the very sudden appearance of the social contract as a

policy objective, linked to a very short timeframe of two months within which to negotiate such contracts for over 950,000 public sector employees, suggests a government engaged in ad hoc policy that is, by definition as well as by experience, poorly conceived. Corporatist arrangements found in such countries as Austria, Sweden, and Germany, in contrast, have been the products of years of careful planning and negotiation in which strict preconditions are absent and with all parties desirous of the establishment of such contracts, believing they will provide some tangible gain for each group. Such is not the case for Ontario in 1993.

THE SOCIAL CONTRACT PROGNOSIS

The social contract talks in Toronto over this spring will in all probability die a dismal death. They have been doomed from the outset. We should then look to see the Ontario government undertaking unilateral actions to reduce public sector staff and wage rates. Industrial action, including strike action, would then be a distinct possibility. As the Rae government is learning, the practice of government is tough; so too is progressive socioeconomic planning.

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*“Still Waiting,”
continued from page 110.*

In part, Canadians have lost confidence in the capacity of their political class to govern because it no longer seems to have the power to do so. Voters would like to believe that new leaders or political formations can put things right again. But

voters know that they cannot and the illusion soon collapses.

The outcome of the next election may well hinge on whether Kim Campbell can somehow persuade voters that she does represent change after all, however ill-defined. In this, her greatest asset will be her primary protagonist, Jean Chrétien,

whose image as a veteran member of Canada’s political class is set for all time.

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